THE MAGAZINE OF WALL STREET

MARCH 7, 1931

High Pressure Stock Market

By A. T. MILLER

New Mass Distribution Must Rescue Mass Production

For the Retailer

For the Investor

By JOHN GUERNSEY

Investment Trusts—A Revelation of Annual Statements

By CARL WILLIAMS

C. G. Wyckoff
PUBLISHER

VOL. 47 - No. 10

PRICE 35 CENTS

The Baltimore and Ohio Railroad Company

OFFICE OF THE PRESIDENT — Baltimore, Md., February 28, 1931.

To the Stockholders of The Baltimore and Ohio Railroad Company:

The President and Directors submit herewith a preliminary condensed income statement, compared with the preceding year, together with balance sheet, as of December 31, 1930, and certain other general information which it is thought will be of interest.

The Annual Report in the customary form will be prepared and forwarded later to those stockholders who have advised or may advise the Secretary of the Company of their desire to receive a copy.

The net income for the year available for dividends and other corporate purposes, after the payment of interest, rentals, taxes and other fixed charges, was $21,423,770
This is a decrease of $7,344,138, compared with 1929.

After paying the 4% dividend on the Preferred Stock, there remained......		$19,069,242
equal to $7.44 per share on the amount of common stock outstanding during the year. Quarterly dividends at the annual rate of 7% were declared on the common stock, and amounted to..		$17,940,687
leaving a surplus from the operations for the year of......................		$1,128,555
The total accumulated surplus of your Company on December 31, 1930, was..		$109,861,329

a decrease, compared with December 31, 1929, of $4,607,457, due principally to the charge to this account of the discount and commission on $63,031,000 Thirty-year 4½% Convertible Gold Bonds, which were sold on March 11, 1930, through an offering to the holders of the stock of the Company, and to other adjustments.

During the year there was an increase in investment in road and real estate, etc., of		$14,571,408
New equipment was acquired at a cost of........	$11,359,753	
and old equipment retired in the amount of	1,700,454	
Resulting in a net increase in Investment in Equipment of		9,659,279
Total increased investment in property used in transportation service....		$24,230,687

The following additional equipment was purchased: five all-steel dining cars, seven all-steel cafe and parlor cars, fifty all-steel coaches, 1,625 all-steel box cars, 300 all-steel hopper cars, 1,300 all-steel gondola cars, and twenty-seven pieces of marine equipment.

Nine passenger-train cars, 1,485 freight-train cars, 176 pieces of work equipment, one piece of floating equipment, and fourteen pieces of miscellaneous equipment, no longer suitable for modern and efficient service, were retired during the year.

Following the policy of your Company to provide greater comfort for its passengers, ten new coaches, with reclining individual seats were put in service during the year, and four additional are under construction. These coaches are an innovation, and have been designed especially for overnight travelers who do not wish to avail themselves of Pullman sleeping car accommodations, and are so constructed that they afford the greatest possible comfort to patrons. A unique feature is a lunch counter compartment at the end of the car, where light lunches and soft drinks are served at moderate prices under the most sanitary conditions. No extra charge above the regular railroad fare is made for the additional convenience afforded by these cars.

The world-wide economic depression, which began in the latter part of 1929, is reflected in the reduced earnings of business in general, and as the prosperity of the railroads is closely co-related to that of industry, the effect on the operating revenues of the railroads has been severe. The decline in volume of traffic available during the year 1930, as compared with 1929, coupled with increased competition with other forms of transportation, such as the motor buses and trucks and inland waterways, has resulted in decreased revenues, as follows:

Freight revenue	$31,783,065
Passenger revenue	3,571,005
Mail revenue	1,324,635
Express revenue	1,245,043
All other revenue	834,592
Total Decrease	$38,758,340

The decrease in Mail Revenue was not because of any diminution in mail handled, but owing to the inclusion in the revenues of 1929, of $1,331,824, representing additional compensation due by the Government for the period from May 9, 1925, to July 31, 1928, and paid in July, 1929.

Operating expenses were very substantially reduced, but not beyond the point consistent with efficient and safe operation. As shown in the Income Account, the operating revenues decreased 15.79%, while operating expenses were reduced 15.19%.

Notwithstanding the curtailment in maintenance expenses, the property was adequately maintained to meet requirements, and is in good physical condition. Because of the liberal maintenance program of preceding years, an even greater curtailment might have been realized had it not been the desire to sustain employment so far as practicable under existing conditions.

The ratio of operating expenses to operating revenues in 1930 was 74.10%, as compared with 73.58% in 1929, which, under the conditions prevailing during 1930, reflects a sound performance. While the revenue ton miles decreased 3,459,787,082, or 16.75%, the tons per train mile were actually increased 20.35 tons, or 2.33%. The average revenue train-load at 892.27 tons established a new record and is reflected in the transportation ratio which was 35.08%.

In its complete plan for the consolidation of railroads into a limited number of systems, issued under date of December 9, 1929, the Interstate Commerce Commission allocated the Chicago and Alton Railroad to the Baltimore and Ohio System. A favorable opportunity offering, your Company acquired all of the $16,834,000 General Mortgage 20-Year 6% Gold Bonds, due 1932, and more than 96.50% of the $22,000,000 First Lien 50-Year 3½% Gold Bonds, due 1950, of the Chicago and Alton Railroad at a cost of approximately $23,000,000. This has placed your Company in a potential position to acquire this property subject to underlying funded indebtedness and claims aggregating about $50,000,000. This purchase, which is still subject to the approval of the Interstate Commerce Commission, would add something over 1,000 miles to the Baltimore and Ohio System, including lines to Chicago, St. Louis, Peoria and Kansas City, thereby greatly strengthening the System in the West.

During the year the Company concluded the purchase of about 98% of the stock of the Buffalo, Rochester & Pittsburgh Railway Company, and about 99% of the stock of the Buffalo and Susquehanna Railroad Corporation. The Company has also enlarged its investment in the Reading Company, so that at December 31st it held about 40% of the stock of that Company.

These acquisitions are reflected in the Balance Sheet item—"Investment in Other Companies."

The cooperation of the stockholders is earnestly solicited, to the end that your Company may secure as great a volume of traffic as possible especially under prevailing conditions. Your interest and assistance in the past have been very helpful, and a continuance of this effort to even a greater degree is hoped for during the present year.

(Signed) *Daniel Willard*
President.

THE BALTIMORE AND OHIO RAILROAD COMPANY
INCOME ACCOUNT

	1930	1929	Increase or Decrease Amount	%
Revenue from freight transportation	$173,706,337	$205,489,402	$*31,783,065	*15.47
Revenue from passenger transportation	18,567,622	22,138,627	* 3,571,005	*16.13
Revenue from mail, express and other transportation service....	14,386,477	17,790,747	* 3,404,270	*19.14
Total Railway Operating Revenues	$206,660,436	$245,418,776	$*38,758,340	*15.79
Maintenance of Way and Structures	$22,442,383	$29,418,140	$* 6,975,757	*23.71
Maintenance of Equipment......	41,693,161	51,765,468	*10,072,307	*19.46
Traffic	6,269,933	5,948,432	321,501	5.40
Transportation	72,500,106	82,958,813	*10,458,707	*12.61
General	8,145,895	8,250,057	* 104,162	* 1.26
Miscellaneous	2,090,897	2,229,124	* 138,227	* 6.20
Total Railway Operating Expenses	$153,142,375	$180,570,034	$*27,427,659	*15.19
Transportation Ratio	35.08%	33.80%		
Total Operating Ratio	74.10%	73.58%		
Net Revenue from Railway Operations	$53,518,061	$64,848,742	$*11,330,681	*17.47
Taxes	$10,326,670	$11,965,798	$*1,639,128	*13.70
Equipment, Joint Facility Rents, etc.	2,942,778	3,698,834	*756,056	*20.44
Total Charges to Net Revenue..	$13,269,448	$15,664,632	$*2,395,184	*15.29
Net Railway Operating Income, as defined in Transportation Act of 1920	$40,248,613	$49,184,110	$*8,935,497	*18.17
Other Income—Rents, Dividends on Stock and Interest on Bonds owned	11,243,924	8,427,835	2,816,089	33.41
Total Income from all sources.	$51,492,537	$57,611,945	$*6,119,408	*10.62
Deductions for Interest and Rentals	$29,155,865	$28,024,557	$1,131,308	4.04
All Other Charges against Income	912,902	819,480	93,422	11.40
Total Deductions from Income..	$30,068,767	$28,844,037	$1,224,730	4.25
Balance of Income available for Dividends and other Corporate purposes	$21,423,770	$28,767,908	$*7,344,138	*25.53
Dividends declared:				
Preferred Stock—4%	$2,354,528	$2,354,528	....	....
Common Stock—(7% for year 1930; 6% to June 30th and 7% to December 31st, 1929)	17,940,687	15,367,783	2,572,904	16.74
Total Dividends	$20,295,215	$17,722,311	$2,572,904	14.52
Leaving a Surplus, after all charges and dividends declared, of.....	$1,128,555	$11,045,597	$*9,917,042	*89.78

STATISTICS

Revenue Passengers Carried.	7,143,358	9,038,071	*1,894,713	*20.96
Revenue Passenger Miles...	625,376,546	728,586,197	*103,209,651	*14.17
Average Miles per Passenger	87.55	80.61	6.94	8.61
Average Rate per Passenger Mile (cents)	2.969	3.039	*.070	*2.30
Tons of Revenue Freight Handled	91,907,620	108,602,048	*16,694,428	*15.37

STATISTICS (Continued)

Revenue Ton Miles	17,198,081,979	20,657,869,061	*3,459,787,082	*16.75
Average Miles per Ton.....	187.12	190.22	*3.10	*1.63
Average Rate per Ton Mile (mills)	10.10	9.95	.15	1.51
Revenue Tons per Train Mile	892.27	871.92	20.35	2.33
Freight Train Miles per Train Hour	11.87	11.47	.40	3.49

* Decrease.

THE BALTIMORE AND OHIO RAILROAD COMPANY
Condensed Balance Sheet—December 31, 1930
ASSETS

Investment in Property used in Transportation Service..............		$918,512,308
Road	$649,281,280	
Equipment	269,231,028	
Investment in Separately Operated Companies, including Miscellaneous Physical Property		94,646,539
Investment in Sinking Funds and Deposits account Property Sold......		620,104
Investment in Other Companies		111,382,474
Total Investments		$1,125,161,425
Current Assets		51,475,883
Cash	$18,512,871	
Other	32,963,012	
Deferred Assets		5,495,827
Total		$1,182,133,135

LIABILITIES

Capital Stock Outstanding		$315,158,596
Preferred	$58,863,162	
Common	256,295,434	
Premium on Capital Stock		3,355,721
Long Term Debt		607,623,996
Mortgage Debt	$539,619,546	
Equipment Obligations	64,296,500	
Capitalized Leaseholds	3,707,950	
Current Liabilities—Traffic and Car Service Balances, Accounts and Wages Payable, Interest and Dividends Matured and Unpaid, Unmatured Dividends Declared, and Other Current Liabilities..............		50,154,212
Liability for Provident Funds and Other Deferred Items..............		9,834,074
Accrued Depreciation—Equipment		75,317,566
Reserve for Taxes, Insurance, etc..............		10,827,641
Surplus		109,861,329
Total		$1,182,133,135

ROAD OPERATED AND EQUIPMENT

Total Miles of Road Operated			5,653
Total Miles of All Track Operated			11,158
Locomotives	Steam	2,349	
	Electric ...	13	
	Other	2	
			2,364
Passenger Train Cars			1,746
Freight Train Cars			103,170
Tugs, Barges and Other Boats			204
Work Equipment			3,634

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Analysis of the Stock Market for 1930 with 1931 Outlook.

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Comparison of earnings of all leading companies for several years past.
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WITH THE EDITORS

Offered at Nothing a Share

SOLD!—for nothing a share and the seller paid the tax and transfer charges. It sounds absurd but this is apparently what happened on the London Stock Exchange when a 100 share block of what was once a gilt-edged investment stock was lately disposed of at the low figure of zero. It is true that an adverse legal opinion concerning shareholders liabilities temporarily frightened the sellers, nevertheless, here was a company, the Royal Mail Steam Packet, long regarded as a meritorious investment in days gone by, sunk to levels which brought total loss to many who had invested their funds in its shares. It is a striking example of the need for constant scrutiny over investments.

Because a company is a leader and a strong earner today, does not signify that it will occupy so enviable a position a few years hence. It is an example in which the old counsel to "buy sound stocks, put them away and forget about them," is open to serious questioning. Can any investment be forgotten with impunity? We do not know of any.

Many readers will recall the prime regard in which New Haven was held in the early years of this century and the consternation and loss which was occasioned investors, particularly in New England, when this road through unwise expansion experienced the dark years from 1914 until its rehabilitation and return to its former position in late years, when sound management superseded weak.

It is true that actual insolvencies are fewest among the largest enterprises but there is no assurance that their industrial position will not be preempted, perhaps very abruptly. In this age when science is making rapid strides, when competition is of the most aggressive variety even the stalwart organizations in the van of industry are put to it to maintain their places, and certainly their stockholders, or even their bondholders cannot placidly forget the stake which they have placed in their keeping. We have but to note the new competition which the railroads are experiencing, the effect of rayon in the textile field or oil and natural gas on coal to see the folly of failing to properly supervise every issue in the investment portfolio. Not only must quotations be watched but dividend rates may be changed, earnings decline, bonds called, new issues impair one's equity. No one can remain oblivious to such changes. They too often indicate that what was thought to be gilt-edged, and doubtless was at the time of purchase, is at least flaking off the gilt with the changing times.

In the Next Issue

What's Wrong with the Oils?

This is a question of vital importance to every investor in petroleum stocks. What will be the effect on crude prices of the new pool in East Texas, the oil embargo, proration. These and other questions will be discussed and their probable influence on the trend of leading oil shares indicated.

Part II in the series on
New Mass Distribution Must Rescue Mass Production

In which the new trends and developments affecting the four leading branches of merchandising will be discussed—department stores, chains, mail order and independent retailers, and their prospects in the months to come.

The Leaders and the Runners Up

An industrial article covering important companies and their relative position in a most unusual way.

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

Investment and Business Trend

The Gesture That Failed—Congress Goes Home—Perverse Nature—Stock Market Publicity—Financing Our Competitors—The Market Prospect

THE GESTURE THAT FAILED

CHAIRMAN Alexander Legge of the Farm Board is going back to his nice, quiet job as president in the farm machinery business and Mr. McKelvie retires to his editorial sanctum. In other words, the governmental venture in controlling the prices of agricultural products is acknowledged to be a failure. But the Farm Board will go on and on—as do all governmental agencies — spending loads of public money and burying itself in releases and publications. In the end the $500,000,000 Board will accomplish nothing that might not have been done just as well, if not better, by the Department of Agriculture, The one fundamental cure of the deplorable position of staple crop agriculture is control of production, but when any agency sets out to raise prices it sets in process influences more powerful for overproduction than all the exhortations of its economists in behalf of conservative production. Ten cents a bushel added to the price of wheat is more potent for excessive acreage than a million enthusiastic mass meetings are for curtailment. Short of the miracle of millions of farmers agreeing to an acreage quota, there is no hope for the speculative farmer except in bad weather in competing countries and the growth of the home market with increasing population. In the meantime, it is interesting to speculate on what the Farm Board is going to do with its stores of surplus wheat and cotton. The latest proposal is to export wheat to Europe at a price below the prevailing scale. But this is an experiment of questionable virtue for it comes at precisely the time that the consuming nations of Europe are agreeing to eat Europe's wheat before going abroad in search of bread. Expressions from abroad reflect no little resentment over the Farm Board's project to break the present price structure. In addition to these foreign considerations there is also the domestic hazard of disposing of too large a volume of our present heavy wheat burden before definite indications of the new crop are known. In a broad sense it appears that whatever the Farm Board does, it will continue to jeopardize prices as long as it exists, and in the end will probably cost the farmer far more than any artificial pegging may have profited him.

CONGRESS GOES HOME

WE view the return of Congress to its constituents with mixed emotions. The short session has been very entertaining and we shall miss the prospect of a fresh sensation from Washington every morning. In this time of business dullness the

country can ill spare the diverting entertainment Congress has given it. Neither do we consider that the session has been altogether a loss in a business sense. Senator Capper's bread price investigation has resulted, we are told, in a reduction of $6,000,000 in the nation's bread bill, a very respectable item to set against the $9,000,000 or so cost of the session. Yet it is a relief to know that there is not to be an extraordinary session. Given two or three months more and Congress might achieve the bankruptcy of the treasury and a heavy increase in taxation. While that might be interesting it would be far from inspiring. We shall miss the daily grist of bills to cure everything that afflicts the country, but on the other hand we shall be glad to see business have an undisturbed chance to cure itself in the old reliable way of adjusting its affairs so that income shall exceed outgo. We hope that when Congress returns it will find little to cure, even if not much to discourage.

PERVERSE NATURE

SOME eight years ago the Federal Trade Commission gave the nation the cold shivers by announcing that at the then rate of consumption of petroleum there was not more than six years' supply of that commodity in sight. Two years after the date of doom the United States is drowned in oil and there is loud demand for an embargo to dam out foreign oil lest the oil market and regions of America be hopelessly submerged in an oleaginous flood. One field in California is said to be capable of supplying the entire world for several years and a new field in eastern Texas promises to make oil a possibility as a navigation medium. While the oil producers are going broke because of a superabundance of oil the farmers above the oil pools are going hungry because nature has denied them rain. Too much oil and too little water! Half the Southwest is in the business doldrums because of nature's bounty and the other half mourns because of nature's stinginess. What this country needs is a law to control nature.

STOCK MARKET PUBLICITY

THERE is one sort of free advertising that the most inveterate editorial opponent of commercial publicity cannot suppress—and that is the stock market quotations. Daily hundreds of newspapers print the names of corporations. Moreover, it is obviously impossible to omit names of corporations in any intelligent review of the movements of the stock markets. If it be true that the most powerful element in advertising is constant repetition, we can think of no advertising campaign that is as effective in fixing a name in the public mind as to have it in the quotations. When, as often happens, a particular stock becomes the object of supreme interest, as in the recent meteoric rise of Auburn, the immediate merchandising value of this free advertising is incalculable. It would not be unreasonable to surmise that after observing this spectacular rise, thousands of people have for the first time had their interest aroused in Auburn cars, and doubtless many were sold as a result. In the ordinary daily run of observing market transactions, many names of corporations become fixed in the public mind, with a natural psychological result that when it comes to buying a railroad ticket, a sack of flour, a radio, a package of breakfast cereal, a razor, the name of some corporation which has lately received financial prominence points the way of selection. Moreover, this tendency has vastly increased as the buying public has become increasingly financially and security-minded. The corporations realize this fact, as a matter of general prestige, if not of merchandising value, and it becomes an incentive to management to produce results that brighten publicity with quotations, earning records, and balance sheet strength. Perhaps there is a thought here for alert advertisers. The widespread financial mindedness of the public may be something worth capitalizing.

FINANCING OUR COMPETITORS

THE French are having a hard time to make up their minds to finance Germany out of their superfluity. "How do we know that we will not be financing a new war?" they ask. Here in America foreign financing whether in the form of loans or direct industrial investment is popularly supposed to be a rather traitorous arming of commercial enemies. We cannot, however, see how nations with the balance of exchange in their favor can avoid sending capital abroad if they desire expansion of foreign trade. Obviously, with France and the United States having already 60 per cent of the world's supply of monetary gold, they are not going to receive much more in settlement of balances. Our people should take a philosophical view of the great flow of American capital into foreign countries that is bound to come as soon as political and economic stability returns. It is difficult to see how, without an outward movement of capital, we can at once maintain a favorable trade balance and accept repayments of the allied debts. But whether it seems like patriotic policy or not, the premium foreigners will pay for loans is certain to secure them, except as they may be prohibited by law. But after all, unless capital sent abroad is diverted for useful application at home, why should we oppose such disposition? Individuals spend their lives to amass fortunes that they can "export" to other individuals for rent, dividends and interest. Why should not a nation take satisfaction in the accumulation of a backlog of "unearned" income from other nations? England has found her foreign loans a much needed prop in these days of trial that have come upon her since the war.

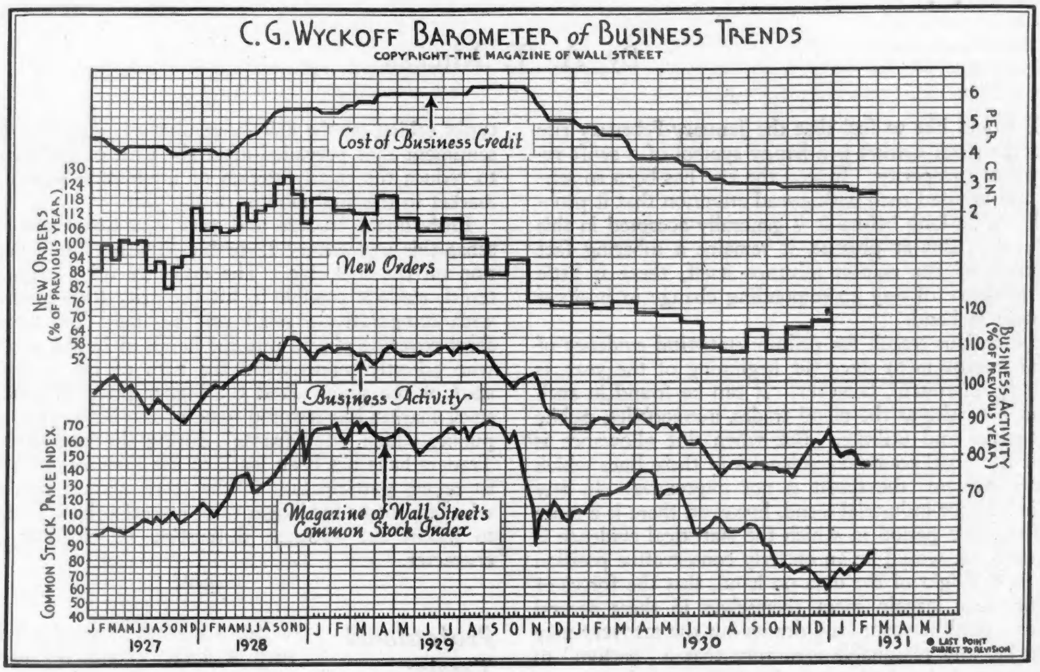
THE MARKET PROSPECT

THE current and prospective trend of the stock market is fully discussed on page 600. Readers are reminded that our latest market advices appear in every issue of the Market Prospect or in the leading market article.

Monday, March 2, 1931.

Taking the Pulse of Business

Little Actual Improvement Yet Recorded



ALTHOUGH the current prospect cannot be characterized as rosy by any means, there are reasons for believing that expectations of a gradual revival in business activity arise at this time from a more substantial foundation than last year's ill-fated attempt to hasten the erection of a new prosperity without first clearing away debris from the old structure that had just collapsed. The past few months have witnessed encouraging progress toward the correction of excesses in the output of goods and credit which led up to the crisis, and the bond market is now meeting support from funds released by steady liquidation of bank loans. Recent hardening in rates on short maturity time loans and acceptances may be regarded as symptomatic of this sub-surface healing process, though partly due to preparations for financing substantial issues of Treasury notes and New York City bonds which are soon to be offered. Here we have the first visible indication of a much needed shifting of funds from short term credits to long term investments, a process which has characterized the convalescent stage after all of our previous crises and depressions.

Incomplete returns on New Orders for the next point on our graph indicate a decrease of sufficient magnitude to account for the cyclical set-back in Business Activity that has taken place since the turn of the year. In times like these, when plants are operating on a minimum backlog of unfilled orders, the rate of production responds immediately to any change in sales or order volume; but it will be observed that the piling up of orders during boom years like 1928 and 1929 then causes our Business Activity curve to lag several months behind the New Orders graph.

From trade sources come reports of more aggressive buying during the past fortnight, and it may well be that the arrested decline noted by our Business Activity curve is the forerunner of a resumption of the interrupted cyclical improvement that set in early last November.

It seems evident, however, that recent strength in the stock market has been prompted less by tangible betterment in business conditions this year than by moderate gains of a purely seasonal nature, fortified by a strong underlying technical condition, and fanned by the prevailing more hopeful feeling that better times are coming.

¶ *Technical Factors and Professional Operations Are the Basis of Current Stock Prices.*

¶ *Can They Sustain the Advance in a*

High Pressure Stock Market?

By A. T. Miller

ONE would like to feel that the January-February rise in the stock market is a happy symbol of a swift return of prosperity. Indeed the rise has been so sensational and aroused such widespread attention that it probably will not be long before it is generally accepted in this pleasant role. But at present, it remains a sobering fact that, outside of the market advance itself, there is little tangible evidence of any corresponding change in business immediately at hand.

A conscientious search for definite statistical evidence of industrial improvement since the beginning of the year, is not entirely unfruitful, however. It can be found in such important activities as the metal trades, automobiles, public works, textiles and utilities. But when due allowance is made for the usual seasonal tendencies in these lines which show improvement, the result is not impressive. In any change in a major industrial trend, however, there is a more or less inevitable period in which the statistical evidence is inconclusive. It would be an entirely conservative position to take, in the light of the data on hand, that the forces of depression have largely spent themselves in these several industries. And however long drawn out the recovery may prove to be, any reasonable assurance that a "bottom" to the business cycle has been reached would certainly warrant some sort of a demonstration in the stock market.

The fast pace and the sensational character of the stock market rise at hand, however, places it beyond the category of a spontaneous demonstration of a turn for the better in general business conditions. The obviously professional sponsorship of the advance robs the stock market of any legitimate claim to extraordinary endowments as a forecaster of business trends. It is rather the type of market which is designed to stimulate confidence and thereby produce enough optimistic sentiment to aid business.

A Law Unto Itself

The perplexing question which this market performance raises is not how accurate it is as a business barometer, but how effective an influence it will prove to be as a business tonic in the spring of the year. And the present obviously is not the time for the reckoning of this score. At this current stage of the advance, the stock market must be recognized as a law unto itself, in that the forces which have started it in motion were largely technical factors, founded on the internal strength of the market itself rather than on any such outside influence as a definite improvement on general business conditions.

During the earlier phases of the rise, the buying and selling of the general public played a minor role in the determination of day-to-day price trends. The volume of liquidation of stocks held by the general public had fallen off considerably and, except for a certain amount of opportunist selling on the first move upward, the more optimistic sentiment that prevailed after the turn of the year tended to reduce the steady stream of liquidation which came to market in the final months of the year.

Professional traders and pool operators were quick to sense this momentary favorable situation for a demonstration on the bull side. The existence of a large short interest, made it possible to lift the price level of the market with comparatively small real buying. The urgency for short covering played into the hands of bullish professionals who adroitly maneuvered the turn of the market at the start of the year. And the higher price structure of the stock market has restored some of the buying power of the public, which was "frozen" during the late 1930 decline. Traders have not been loath to use their restored resources to renew participation in the stock market, but investors who buy stocks for longer term retention have been hesitant to follow the advance, distrusting its obviously artificial character.

Professional Tactics

When a market movement is based to such a large extent on professional sponsorship as the current advance, it is highly unsatisfactory for the more conservative element of stock buyers, who prefer to make their commitments on fundamental strength or intrinsic values. In order to formulate a reasonably accurate view of the probable scope of the movement, it is necessary to place considerable emphasis on the tactics of the professional faction in the market.

While it is frequently possible to detect the activities of the professional operators in the action of the market, their objectives are always subject to quick and unannounced changes. The sponsors of the present advance have unquestionably accumulated stocks on balance for distribution at higher levels. They can depend upon the shorts for a certain amount of potential buying as long as they can push the market ahead. As long as the interest of the public and its ability to buy stocks is sustained, a certain following for the rise will be built up, irrespective of improvement or lack of improvement in fundamentals. And if the coming months furnish more definite evidence of a turn for the better in business conditions, buying demand of a better character will materialize to take up the slack.

Strong Technical Factors

From the purely technical standpoint, there still remain several factors favorable to further success for those on the bull side of the market. The fact that the deflation in prices ran to extremes during the decline gives the general market a

price structure which is not unwieldy for either financing or manipulating a large number of individual issues. This factor automatically diminishes, of course, as the advance continues. But nevertheless, the earliest pool accumulation was at such low prices that these interests can afford to buy in stocks at higher levels and still have a moderate average cost to charge against their position.

The absence of large scale liquidation as the advance continues is another favorable technical factor. In the earlier stages of the advance, the constructive interests encountered rather strong resistence points, where offerings of stocks were made in generous volume. The advance, having gotten through this price area, has a comparatively free path up to a point where it encounters offerings of stocks held over from last year. From the standpoint of market "averages" the current price level is still under the heavy volume area in which the lows of June, 1930, were established--sufficiently far enough under to permit a good sized bulge. Should the advance hesitate in the meantime, however, it must be prepared to absorb the delayed liquidation that has accumulated since the advance started.

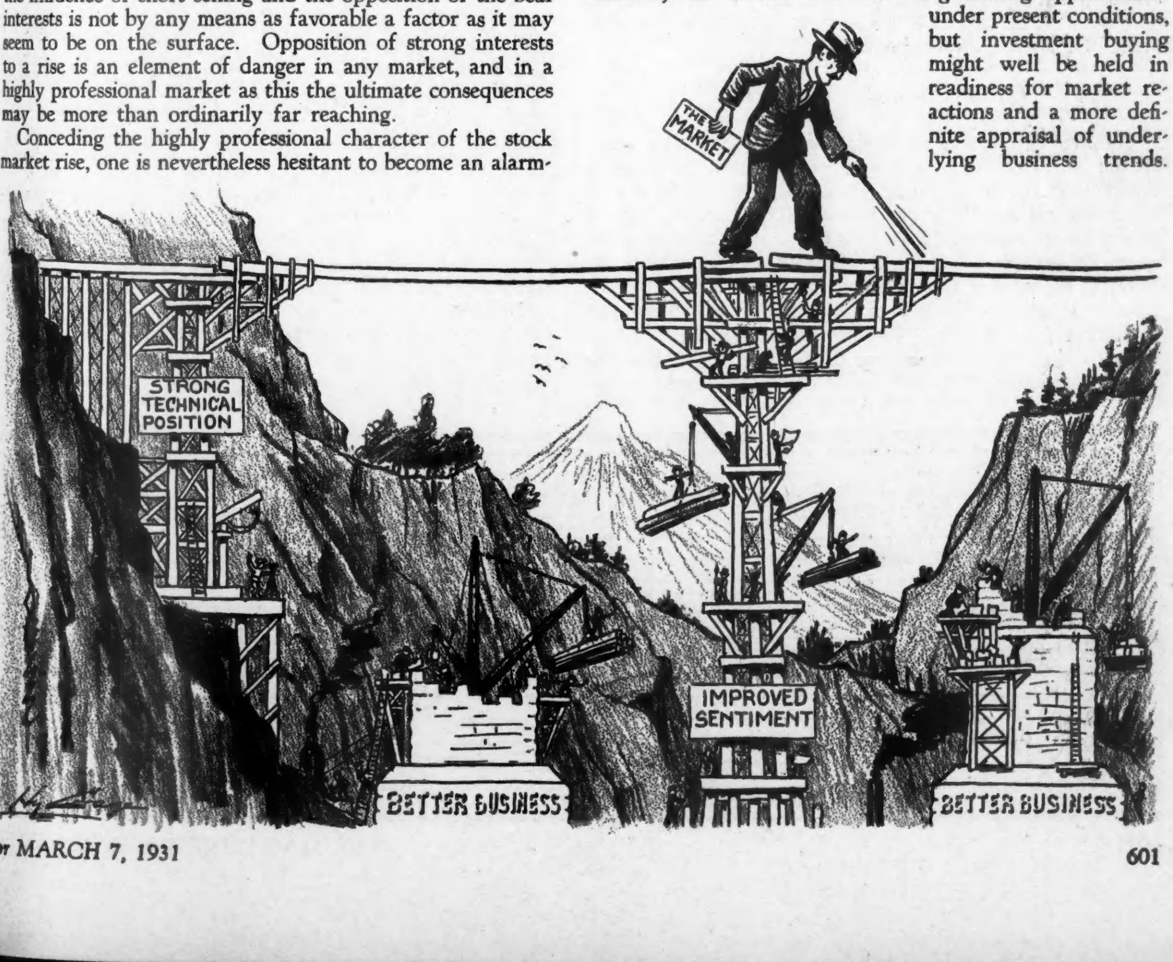
Bears Hold Their Fire

So far during the course of the rise, the persistent efforts of short sellers to "feel for the top" has been an important technical factor. Selling of this type has come into the market on each advance, and the forced buying to cover short positions has been a considerable aid to the professionals on the long side. The advance has already been sufficiently vigorous, however, to eliminate a large part of the amateur short sellers and it is quite likely that the more powerful bear interests are still to be heard from. Stocks become more vulnerable to attack by the more potent bears as they rise. At the present phase of the rise, the influence of short selling and the opposition of the bear interests is not by any means as favorable a factor as it may seem to be on the surface. Opposition of strong interests to a rise is an element of danger in any market, and in a highly professional market as this the ultimate consequences may be more than ordinarily far reaching.

Conceding the highly professional character of the stock market rise, one is nevertheless hesitant to become an alarmist as long as there is any reasonable prospects of nearby improvement in the business situation to justify the rapid rise in stock prices. And a new factor has been introduced into the business situation, which its adherents confidently expect to provide an extra stimulus for business at a critical moment. This factor is the so-called Soldiers' Bonus, in the form of legislation passed over the president's veto, to increase the loan value on outstanding war veterans' insurance. As this legislation gives a potential credit up to a billion dollars for veterans, whether in need or not, it is calculated to stimulate buying.

Aside from the political and social aspects of this recently passed legislation, it has an economic influence on business prospects. Unemployment and generally restricted purchasing power has probably been one of the most important factors in the recession of business and reduced corporate earning power. Although the effects of such buying power that might be created by this legislation will be unevenly distributed over the commercial and industrial field, the "bonus" must be conceded to be an inflationary measure from the strictly economic interpretation—perhaps an inflationary measure that may tend to counterbalance deflationary forces still hanging over from the business depression of last year. Undoubtedly a good many speculatively inclined stock buyers have been willing to discount the affects of this potential influence on general business. And if it "works" in the sense of expanding buying and thereby helping to restore corporate earning power, the stock market would have a sounder base for current price levels or even for higher price levels.

The conservative investor, however, would hardly want to assume the risks of buying stocks indiscriminately after an advance in prices that is largely based on technicalities within the market, if he must again gamble on the prospects of a sounder base for the rise in the nearby future. Admittedly the market has interesting trading opportunities under present conditions, but investment buying might well be held in readiness for market reactions and a more definite appraisal of underlying business trends.



World Prosperity Waits On Our Recovery

Other Nations Look to U. S. to Take Lead in Business Revival—Our Own Authorities Agree It Can and Will Be Done

By THEODORE M. KNAPPEN

IN the early days of the Republic the United States not infrequently had several business phases on the stage at the same time. New England might be booming, the middle states dull and the South dead in a business sense—all at the same time. So in other times it was among the nations of the world. But with the growth of international trade and the appearance of a well defined world consciousness, greatly promoted by the continuous improvement of international transport and communication, there is a pronounced tendency toward synchronization of business ups and downs throughout the world. Even when there is not an exact coincidence of business fortunes it is usually plain that whatever is happening in any great nation is almost certain to be a contributing cause to the next phase of the cycle in other nations.

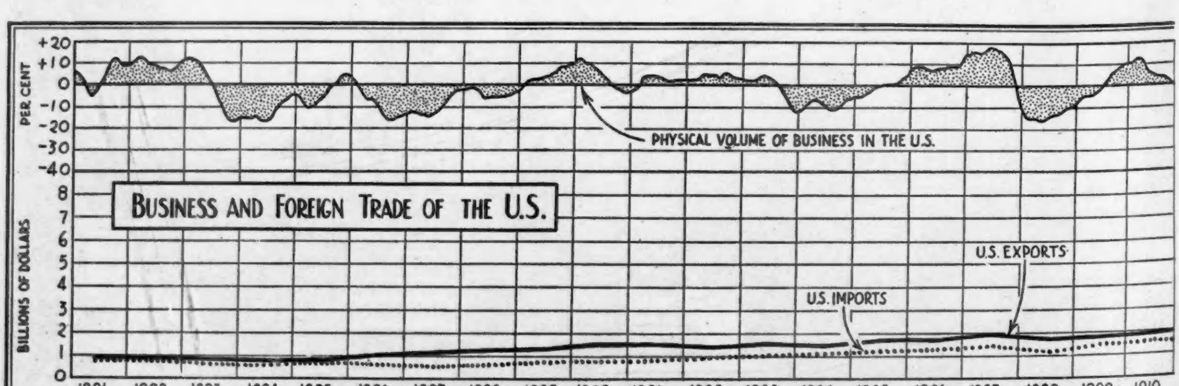
Cycles Universally Contagious

The present business depression has come at a time when all the world is far more closely knit together by business ties than at any former period. It has come also at a time when the modern type of business organization, that of money-credit economy, has become practically the world type. Money may not be the root of all evil but it certainly is the root of the economic cycle. Business cycles—perhaps it would be better to call them credit cycles—and capitalism go together. The more complex the development of the capitalistic system becomes in any nation the more susceptible it is to the influence of similarly organized nations throughout the whole extent of the world.

The present cycle entered upon its depression at about the same time throughout the world. The outstanding exception is France, where evidences of depression did not appear until a year or more after Germany, England, the United States and practically all the rest of the world outside Russia (the latter being sui generis) were suffering grievously. Now that France has begun to slip, there is no bright business spot in the world—the entire globe is in business eclipse.

Not Exceptional in Extent

It has been often said that this depression is not comparable to others because this time the whole world is simultaneously involved. But all of the *great* depressions of modern times have coincided in the United States and other great commercial nations. Early in the last century England, the United States and France, which were then the chief commercial nations, united in common woe in the crises of 1815, 1825, 1837 and 1847. Germany, beginning to modernize industrially, joined these three nations in the debacle of 1857. Austria was admitted to the sisterhood of cyclical grief in 1873 and also in 1882-84. Of the seventeen countries whose commercial history has been charted since 1890, 14 had recession or depression in 1893, according to Dr. Wesley Mitchell's "Business Cycles"; 15 in 1900-01 and again in 1907-08; 12 in 1912-13; 11 in 1918 and 14 in 1920-21. All of them, omitting Russia, took a



licking in 1929-30, and now the gloom appears to be universal, with the worst suffering in Australia and the least in France.

Looking for a "Starter"

In their common misery the nations find a certain fraternal bond, which may possibly have prevented the outbreak of wars, but the universal economic unrest has fomented many revolutions and has emphasized civil tumults in China and India. In every nation observers are anxiously scanning the horizon in the hope that some feeble fire of regeneration may be discovered elsewhere. For it appears that even as depressions are catching, so are revivals. Being far more involved with the rest of the world and less self-contained than formerly we in the United States have not been without hope that something might happen elsewhere to start a chain of cause and effect that would reach us, turn on the ignition and kick the starter in our own domestic business machine. It seems, however, to be a vain hope. In the course of time conditions will generally improve everywhere, but insofar as any one nation is the fountainhead from which will gush the next efflorescence of prosperity the United States appears to have been unanimously elected by a tacit conference of the world to be "it."

United States Elected to Pioneer

Our governmental and private commercial scouts reporting from abroad agree that all eyes are on us. Commercial and economic journals of all countries declare that we must touch the starter or more laboriously crank the engine of prosperity. Foreign financiers and men of business who come to call always depart calling upon us to save the world. There is substantial agreement among our bankers and thinking men of business that the job is ours.

Our foreign friends are not without advice as to how we should proceed to restore the world to the sunshine of prosperity. Some intimate, if they do not boldly argue, that we ought to reduce or cancel the allied debts to our government. Others remark on how nice it would be to help the world back to the sunny side of the street if we would revise our tariffs downward and buy prodigally from our competitors. Still others, bemoaning the shrinkage in the fertilizing floods of American capital that watered the world for a decade, recommend an emergency export of large quantities of cash loans. They unite in declaring that they will impose no barriers upon such exports, especially if we are not too choosy about plans and specifications for the location and purposes of the irrigation ditches down which the revivifying streams are to flow. But while our foreign friends are not reluctant to tell us what we might do voluntarily to start the rest of the world into business activity, they agree that whenever we get ready to light the furnace fires in this country we will start something that is bound to help them. So, for once, they are all united in fervent prayers for the United States to become prosperous. Some of the reasons why they have picked us to lead the van are:

Seven Reasons for Leading

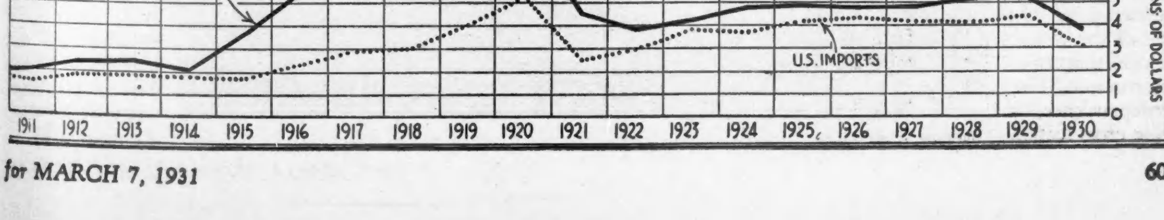
1. The United States has become the world's banker and potentially, at least, its chief creditor nation.
2. It is the greatest importer of raw materials.
3. It is not bedeviled by threats of revolutions, fears of war and political impotency.
4. It is more competent to start domestic prosperity without foreign assistance than any other great nation.
5. Its people are mercurial and commercially unified and so can organize and achieve a comeback with greater rapidity than other commercial nations.
6. It has every ingredient of prosperity at hand within its own domain, not the least of which is more ready working capital than any other nation ever had.
7. It can flourish for a considerable period and to a large degree without the sympathetic effect of prosperity in other countries, thus keeping the starter turning for a considerable time before the cylinders of the world engine take hold.

Let's take a cursory glance at these reasons for the unanimous choice of the United States as the spearhead of the world drive against business deadness.

The Banker Has Obligations

Certainly a banker has obligations to his customers. A motley lot of nations and their nationals have been borrowing from us, nation and individual, for many years. To a very large extent the technique of international banking is comparable to that of an ordinary bank of deposit. The customer borrows and the loan immediately becomes a deposit to his credit. The transfer is a matter of pounding the keys on the bookkeeping machine. No assistance is required from an armored truck or even from a porter. The foreign borrower draws checks and drafts against the loan-deposit; which he uses to a considerable extent, if not all, to settle debts and buy services and goods in this country. Trade follows the dollar. When a good customer gets into a financial pinch the banker is on hand to advise and nurse him along—with exceptions which some people think have been the rule in the United States for some dreary months.

Our foreign customers, lumped together into national groups, are suffering from a scarcity of credit. Their cash has been expended and if they have to wait until the tedious process of saving in low-income areas gives them enough



capital to undertake operations projected into the future they will wait a long time. So they say to Uncle Sam, banker: "Give us credit on which we can start something. You only, with the exception of France, are in a position to extend credit. Also, "they remind Uncle Sam," don't forget that you are a merchant as well as a banker, and that the money we borrow to get under way will be largely spent with you. When you loosen up you make money as a lender and also as a merchant."

Uncle Sam at present, because he has lost confidence in all the world and to a large extent in himself, is about as amenable to the customers' reasoning as a country bank to a loan appeal with a run forming outside the door. But we are piling up savings in the United States at the rate of about a billion dollars a month and those dollars will soon be "rarin' to go."

Back to Forest and Field

Being the greatest importer of raw materials and also having the ready cash and unlimited capacity for credit expansion, our solicitous friends argue that it is inevitable that the United States will have to start the process that will send the Malays to the rubber groves, the South Sea islanders to their coconut trees, the Chileans to the nitrate fields, the Indians to their jute fields and mills, and so put the raw material countries into a position to buy more freely from the industrial nations.

Being without wars and rebellions and perturbing fears of them, the United States, it is represented, is in a position to undertake an autonomous revival as no other nation is. It does not have to keep one hand on the rifle and the other on the policeman's club, leaving only an imaginary third hand for business. Incidentally by starting a little prosperity nucleus of its own, which will presently widen to include the world, it will do more than the League of Nations and a hundred disarmament conferences to promote international peace and international tranquility.

A World of Its Own

To a great degree self-contained, and not fundamentally dependent upon foreign trade, it is pointed out that the United States is peculiarly competent to start a new cycle of prosperity all its own. The other great commercial nations find the mainsprings of their prosperity in foreign trade. Trying to get a lot of rundown mainsprings to start each other is a dismal task. On this point there is substantial agreement here at home that the United States can and probably will soon embark upon a revival of domestic activity just because it can't help it. Such a revival, after nearly two years of restriction, can run quite some time on its own—fully long enough to get up a high voltage for international trade. Apropos of our comparative independence of the rest of the world, even in this era of international interdependence, a wide cross-section of competent opinion has been canvassed as to whether the United States could get along comfortably with no more than the present shrunken volume of foreign trade. Views differ but is it the general belief that after necessary adjustments had been made we could be quite comfortable, although upon a smaller volume of business and lower standard of living than in the past, and without that inspiring exuberance that comes from continuously mounting output and consumption.

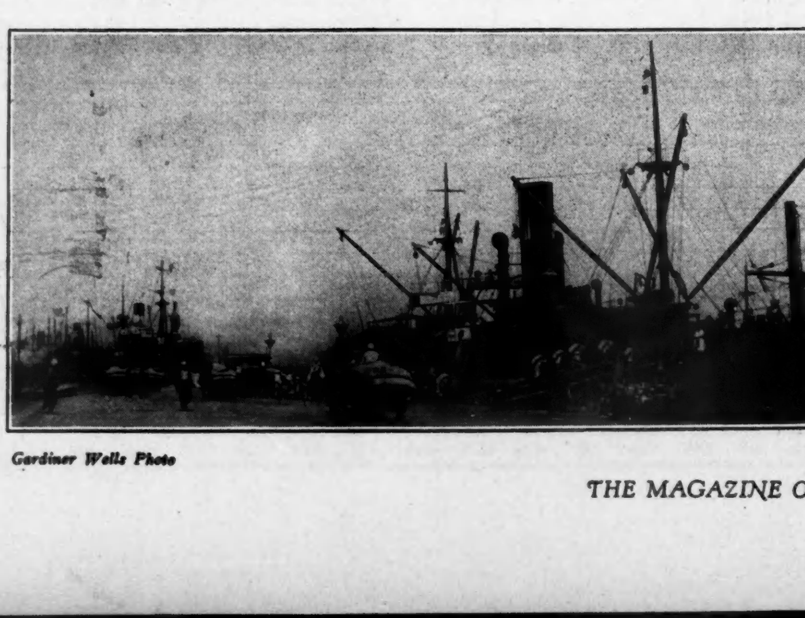
It might be mentioned that some authorities consider that under present international economic forces we will have hereafter to reconcile ourselves to a rather static condition of foreign trade. Briefly, reference is made to the theory that our enormous foreign credits will compel the other nations to buy less from us in order to reduce their debts or keep them from augmenting, in view of the restrictions our high tariffs impose upon their efforts to pay for what they buy with what they may sell us.

We Can Act Promptly

The fifth point the foreigners make in their argument for our leadership in revival is that our nervous national temperament and commercial homogeneity are such that we can act promptly. Extreme conservatism relaxes here more quickly than elsewhere. A domestic business revival can spread across the continent in a month and soon have the whole immense economic power of the nation behind it. It is a historical fact that we "come back" quicker than other nations. And if we take the lead, the cycle is shortened for the world. In minor slumps the United States has achieved complete revival within less than six months. Revivals here are usually accomplished within a year. Also, it might be added that depressions are shorter here and that characteristically enough we race through all four phases of the business cycle—recession, depression, revival and prosperity—faster than most other nations, although with a greater proportion of the prosperity period. Depressions may be more acute with us, but a general rule seems to be that the less a nation is hurt by a depression the longer it lasts, speaking comparatively.

The sixth reason why by unanimous consent we have been delegated to lead the way into prosperity is that we have all the ingredients at hand and occupy a key position. We have the largest easily accessible, compact, home market in the world, largely accustomed to standardized materials and articles and quick to catch the contagion of change. Our industrial and commercial organization is close-coupled and overwhelmingly on mass production patterns. Moreover, we have the money and the credit. Owing to the balance nature of our trade, which is about equally divided between the highly organized industrial nations and the countries of raw materials, a revival here spreads in all directions, with an approach to simultaneity.

When we come to consider whether or not an increase in foreign trade *(Please turn to page 656)*



Gardiner Wells Photo

New Mass Distribution Must Rescue Mass Production

Retail Merchandising Meets the Test of Depression and Offers Investment Opportunity

By JOHN GUERNSEY

In Charge of Retail Distribution, Bureau of the Census

Part I

JOHN GUERNSEY, who has written this story on the outlook for retail securities, is an experienced retailer who was "drafted" from the vice-presidency of a group of Pacific Coast department stores to take charge of the Retail Census, now being compiled for the first time in history by the Department of Commerce.

He was Controller of one of the largest department stores for six years, and then General Manager of the Controllers' Congress of the National Retail Dry Goods Association.

His article appears in two parts, of which this is the first. In the succeeding number he will discuss the new trends and in the four major divisions of the industry: department stores, chains, mail order and independents.

Our analyses of selected merchandising common stocks appear on page 624 of this issue.

THE man who asserted flatly that there "ain't no such animal," because he had never seen a rhinoceros, is barely distinguishable from him who today wails that there are only three known causes that can turn upward the drooping curve on the business chart, viz., high farm prices, a vigorous export business or a war, and they are all out of the question.

There is a fourth force which the skeptic considers as undeniably impossible as the rhinoceros. It will, nevertheless, soon express itself in the form of a sound and substantial increase in retail trade, which will be transmitted in magnified form to the merchandise manufacturing field, then in further magnitude to the labor and raw materials fields, with repercussions which will return to increase further retail trade. The force which will do all that is the force of *irreducible minimum consumption.*

Standards of Living Maintained

The irreducible minimum as interpreted by the people of China or India might be as indefinite as the length of a string, but as interpreted by Americans, it is not so very far below the level of normal consumption. For at least 85% of our population, the level at which we elect to live, and can afford to live, has not been lowered substantially if it all, during the last eighteen months. We have merely drawn upon accumulated supplies, or by more careful attention have maintained, for a little longer than usual, the appearance and utility of our clothing and our furniture and our motor cars and what not, but we have not lowered our standard of living, nor our personal appearance, nor the attractiveness of our home. Always there is the consciousness of standards to be maintained—not as a pose, but as a personal satisfaction.

When our accumulated supplies, or our somewhat more carefully tended possessions, reach that state of depletion which affects the continued maintenance of whatever standards of living we have set for ourselves, we again become purchasers and swarm into the stores, each individual intent on buying that which is necessary to maintain his standard of living.

Living On Our Fat

There is an irreducible minimum consumption. The relatively small margin between it and normal consumption is not hard to measure. Under normal conditions, nearly everyone in this country possesses some measure of accumulated supplies—some unconscious reserve of tangible goods. These goods have passed through all the usual processes of manufacture, distribution and sale, and are in the hands of the ultimate consumer—but not yet consumed. Comes a curtailment of income, or a threat of curtailment, and caution directs that ultimate consumer to consume to the point of exhaustion before replacing. But there is always the intention to replace.

The unfailing hope of American business, the bulwark which makes any depression merely the breathing spell during which consumer reserves are drawn upon in place of merchandise in commerce, lies in the existence of well-established personal standards of high living, which continue with little change through good times and bad, because habit is habit and Americans are that way. There being, then, a fairly steady and a continuous actual consumption of foodstuffs, of clothing, of furnishings, of home

necessities, of magazines, of means of diversion, of motor cars and automotive supplies, what really happens when sales are off in all these lines is that we are using up the consumer reserves. People stop buying, but they cannot for long stop consuming.

When the manufacturing expansion necessitated by the war produced a potential mass supply of all kinds of consumer goods, with each producer energetically seeking markets by means of which he could maintain his capacity production, there came plunging into the distribution channels a new current of tremendous volume and ever-increasing pressure, which has upset the erstwhile placid and well-charted stream and considerably muddied the waters. Mass production was feverishly seeking mass consumption. The natural connecting link was the established machinery of distribution — the wholesaler and the retailer. This machinery stood the pressure at first. Then there came a temporary reduction of pressure in 1920-21, when the surplus army and navy reserves of consumer goods were released upon the market; but its effect was hardly more than that of providing the consumer with his acccustomed surplus of supplies which has been denied to him during the war and during the subsequent era of high prices.

After 1922, the pressure upon established agencies of distribution was doubled and redoubled in the attempt of producers to find ever-increasing markets. Wholesalers gave way under the pressure, and producers stepped over their prostrate bodies to deal directly with the retailers. The same thing, exactly, has happened and is happening in the oil industry.

Courtesy, Crowell Publishing Co.

The Opening of John Wanamaker's "Grand Depot"—a Milepost in Retail Merchandising

Producer Meets Retailer

To deal with the retailers directly, producers found it necessary to create a demand, and there came about the era of tremendous national advertising and the mad scramble to popularize trade names. Road salesmen were multiplied, to follow up the advertising and sell the retailers. Sales territories and quotas were expanded far beyond the bounds of economic justification. But the typical small retailer is a man set in his ways. He can be pushed just so far, and then he is resentful. He didn't want any new methods. He didn't want much new goods. He couldn't even be bothered to listen to novel tales, because "there's a customer up front to be waited on" and "it's 'most lunch time."

Here was a tremendous new producing entity, with plant and experience capable of putting out innumerable articles of current demand, capable of making them so cheaply with mass methods that, at a corresponding price to the consumer, they would develop vastly greater consumption in the lower price strata in which they would fall—and here, also, was the army of small retailers, unwilling or unable to provide the necessary machinery for mass distribution. So the manufacturers turned next to the department stores, and courted them.

The department stores provided an outlet for a while, but eventually they, too, fell down. These stores answered the producers' eagerness for markets by an orgy of high-pressure, cut-price sales. Whenever such a sales event developed public response, the stores' buyers went back at the producers for further price concessions, and then for advertising allowances, and then for retroactive rebates based upon the size of annual purchases. So, the department stores, as a distributing medium, failed utterly to measure up to the economic need for steady, large-scale distribution at closer margins, which would have resulted in getting potentially low-cost goods into consumers' hands at materially lower retail prices and thus open up new uses and larger markets. Motor car producers were doing that through the medium of controlled agencies, and were steadily lowering the retail price and extending the market. Radio producers did the same thing when the department stores failed to get behind the aggressive promotion of radio during this same period. The utilities were obliged to sell appliances direct, for the same reason. The department stores' lack of vision was due to inherent limitations of management, and time-honored methods of buyer-control of individual departments, but we need not go into that beyond noting that the department stores failed to provide the mass-producers with their desired machinery of distribution.

Manufacturers next turned to the buying pools, the group-buying offices and the cooperatives, again with temporary success, but again with eventual disappointment. During all this time, with the country booming, producers were loath to shut down to present surplus stocks, and accumulations of manufactured goods began to assume serious proportions; the situation was not fully realized until the 1928 inventory figures, available early in 1929, painted that picture.

Chains and Chains

For two years or more before that, though, the more enterprising producers had sought out the national chains, in the general merchandise and in the variety fields, and had gradually worked out with them attractive arrangements by means of which, at close prices which often meant alterations in the product and little hope of much profit or even a factor of safety, they had been able to sell the entire output of their plants to one or two chains, and be assured of steady production. But such attractive contracts always reach a time limit beyond which they must be re-

established, and in those days the chains had not all learned the lesson of fair play with producers, which is today a part of their matter-of-course policy with satisfactory resources. Many producers who had limited their output to one or two chains, when they went back to renew the contracts, were offered a lower price and the alternative of taking it or trying to reestablish their old, abandoned outlets. Many gave in. Many others sought to emulate the example of the chains and establish their own retail stores. There began, then, the latest stage of the eight-year fight of mass-producers to attain a mass market. Innumerable manufacturers rushed out to establish retail chains of their own—the manufacturer-controlled chains.

Producers Mess Up Merchandising

Those of us who watched this development, and were aware of its significance, were dumfounded by the seeming ignorance of retail essentials which was displayed in the competitive acquisition of second-grade locations at preposterous rentals, which were 'way beyond the sales possibilities of the locations even if the stores had had the goodwill and established trade of their communities. Here were new stores, offering limited lines, appealing at best to a limited percentage of the public, to be operated in a highly competitive field by people who did not know the retail business, with no suitable advertising medium available at reasonable cost, and with the expense cards stacked against them from the start.

Most of the manufacturer-controlled chains which were launched during those hectic days of late 1928 and throughout 1929 were doomed to failure from the start. The one thing of which they were assured was plenty of stock, for most producers had warehouses full of that. As one famous manufacturer expressed it, they were a good idea—and the good die young. Their demise was hastened, but not entirely caused, by the lamented debacle in late 1929, which wrote *finis* to this latest chapter of the mass-producers to get their products to consumers *en masse* by all of the known methods of distribution. The struggle is halted temporarily, but it is by no means ended, and the next chapter is yet to be written.

If we accept the premise that mass production fails only when it is unable to find a dependable market, and that the economies of mass production are of themselves the means of developing a corresponding mass consumption if they can be carried through to the consumer, then we are prepared for the assertion that the inevitable social achievement of the immediate future is the reconstruction or creation of methods of distribution to attain that desideratum. Present methods fall far short of that objective. Again, if we accept that premise, the inevitable conclusion is that a most attractive investment in the next few years will be found in that form of distribution which lends itself most readily to the serving of the demand above outlined. What that form is, or will be, each investor must decide for himself. Here are a few facts for him to consider:

What of the "Departments"?

The department stores ended 1930 with a decrease in dollar-sales of 8½% to 9%. Much of this resulted from the sharp decline in retail *prices*, which was most marked during the last quarter of the year following a fairly steady decline throughout the first three quarters. The rate of decline in prices doubled in the last three months, which is normally and was in 1930 the period of maximum sales. By the end of 1930, the average price over the whole range of departments was fully 15% lower than at the beginning of the year, and perhaps 17% to 20% lower than at the peak of 1929. The effect of the price decline, on dollar-sales, averaged for the year about 7% to 7½%, so that the volume of physical merchandise handled over the counters of the department stores during a year of sup-

(*Please turn to page 654*)

How Various Types of Merchandisers Fared in 1930

	1930 Sales	Decrease Compared with 1929	% Decrease	1930 Net	Decrease in Earnings Compared with 1929	% Decrease in Net
Montgomery Ward—Stores	$148,387,119	+$23,533,671	+ 18.5	$423,211	$13,011,724	97.1
Montgomery Ward—Mail-order	123,932,506	42,744,667	25.6			
Sears, Roebuck—Stores	190,000,000	+ 30,000,000	+ 18.8	14,308,397	15,748,755	52.5
*Sears, Roebuck—Mail-order	200,383,107	80,283,613	28.6			
Woolworth	289,288,552	13,758,567	4.5	34,736,250	923,002	2.6
Marshall, Field & Co	x	x		4,724,728	4,493,985	49.0
S. S. Kresge Co	150.353,703	5,974,082	3.8	10,621,151	4,331,060	29.0
Butler Bros.-Wh. & Ret	x	x		— 2,542,306	3,984,759	276.0
National-Bellas-Hess	33,836,695	14,475,118	30.0	— 4,100,238	3,895,124	Deficit
Lerner Stores	25,293,927	+ 6,216,784	+ 33.7	1,369,202	23,289	1.7
A. Hollander & Sons	3,752,844	+ 719,537	+ 24.0	308,625	+ 38,560	+ 14.3
Gimbel Bros. Stores	113,000,000	11,666,273	9.3	x	x	
L. Bamberger—Newark	36.168.175	1,000,000	2.7	x	x	
Best & Co.	15,097,734	+ 483,551	+ 3.3	1,265,488	13,823	1.1
Roos Bros.—Calif.	4,952,127	460,686	8.5	270,387	69,610	20.5
F. & W. Grand—Silver	37,836,243	+ 7,419,385	+ 24.3	1,665,629	147,065	8.2
Simpson's, Ltd.—Toronto	x	x		1,344,776	175,495	11.5
Selfridge & Co.—London	x	x		2,148,433	250,105	10.4
Hale Bros. Stores—S. F.	18,835,144	+ 386,327	+ 2.1	520,669	+ 210,632	+ 68.0
Raphael Weill & Co.—S. F.	8,519,475	x		383,739	x	
Goldblatt Bros.—Chicago	15.154.269	+ 516,935	+ 3.5	754,238	12,153	1.6
McCrory Stores Corpn.	48,283,526	1,480,440	2.2	2,168,173	55,060	2.5
J. C. Penney Co.	192,943,765	16,746,652	8.0	8,290,622	4,122,756	33.3

* (Split between Sears stores and mail-order estimated. Ward sales are gross instead of net.)

"Now Don't Quote Me, But—"

As Reported by the "Itinerant Economist"

When a Standard Price Won't Stand

"When manufacturers and merchants who feel the business necessity of passing along reduced prices to their customers go up against a standardized price they get into a peck of trouble," said the credit man. "They are accustomed to figuring on, say a $5 shoe or a $25 suit or dress. They calculate their profits backward from the retail selling price, and they become confused when the old moss-grown price fails to jibe with times that have no respect for fixed dollar values.

Right now a group of apparel manufacturers are going into a decline from the unusual exertion of thinking themselves out of the fix that a higher priced dollar has got them into. For years they have been making a garment that has sold at $25. When materials hit the toboggan slide and the purchasing power of the dollar went up the ladder these men had a feeling that the public would soon be making a menacing noise if it didn't get a cut somewhere for its more valuable dollars. But the $25 price was as sacred to them as the graves of their ancestors to the Chinese. On it hung all the security and profits of trade. Once give up this keystone of regularity and there was no telling whether there would be any possibility of stability in the apparel business. It was as bad for the prosperity of the trade, they said, to have a lower price level, as it would be bad for the gold standard to take five grains out of the gold dollar.

"But the advance vibrations of the expected roar from the disgusted public began to shake the windows in the garment district and the wise men went into a quick huddle and crystallized a decision to keep the good old price but pack about 25 per cent more value into the garment. This was promptly done, with a highly virtuous feeling. But virtue got no reward, the public smiled skeptically at the salesmen who pointed out better quality and more quantity. Their own brains being now fatigued beyond endurance, the manufacturers appealed to a merchandising expert, who of course solemnly advised them to do the only other thing there was to do—establish a new lower price, say $20, for the same garment that had been selling at $25 before improvement. This advice was adopted in the industry and is now being followed. The first trial sales sound like a hundred-piece orchestra of cash registers. However, the manufacturers are maintaining also the $25 price and a better grade to cover their retreat and, as they fondly hope, to provide a road for an advance at some future time. They might as well forget it, we are on a lower price level for years to come. It's a good thing, too, for high price levels, even where compulsory, breed extortion, profiteering and commercial viciousness."

We Are All Speculators

"One good by-product of the hard times," said a banker whose proud boast is that he is never quoted and rarely "states," "is that we are once again reminded that nobody can control the financial weather of the United States. Some of us got to thinking between 1925 and 1929 that if we were not financial weather gods we were at least demi-gods. The weather in question is really made by the speculators—and that is pretty much the whole nation. Out in the country our farmers are more speculators than agriculturists and stockmen. Most of our staple crop farmers are sheer speculators —and they know it. Too many of our business leaders are speculators. We are speculators in our very nature—we are still a pioneer people, and our society is far from stratified, most of us like to take a chance. Under such conditions credit can not be controlled by any one organization, public or private. The Federal Reserve System can regulate credit measurably. It has done and will continue to do so, but to have credit controlled wisely, so that it would not at one time run away with business and at another time hobble it, it would be necessary to have far more intelligent control than we now have, not only of banking but of every sort of business. Credit rests upon business. It is obviously desirable that each business should be carefully budgeted; that it should have as careful a program and plan as a few of the best businesses now have. If that were done we should have less overproduction. But even if we were scrupulously careful to plan and execute conservatively there would still be the risks of weather, politics, the vagaries of other nations and the inconstancy of human nature. We shall always have business cycles—and always the last will be the worst, if you take the crowd's word for it."

War Game in Washington

"The nearest approach we have to a real political conflict in this country," said the Senator, "is the bloodless battle that is raging between the White House and the Capitol. I can visualize Pennsylvania Avenue as a channel of invisible verbal projectiles, with periscopes atop the roof of the executive mansion and the dome of the capitol to

observe the effect of the firing. The President takes the battle very seriously but we consider it about as destructive as the war game battles the fleet is fighting at Panama. The way we figure it we are satisfying the soldiers and their associates in the bonus loan and the President is winning the applause of the fat boys and, greatly to his delight, that of the editors. We have a home consumption alibi that will be a good helmet at home and he is building up a reputation for courage and independence that will come in handy when our fickle people approach the presidential nominating conventions and election in 1932. This scrap is all to the good."

While the Senator was monologuing his secretary was evidently "dying" to say something, and at the first chance she said it, as follows, to wit: "I don't care what you men think but all of us women think Mr. Hoover has the loveliest radio voice in the world. It is so honest, sincere and appealing."

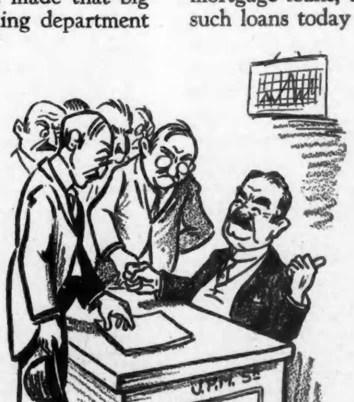
Panics Plus and Minus Morgan

"I have been asked repeatedly in the last six months," said a veteran Wall Street man, whose memory reaches back even to the withering panic of 1873, "whether I ever have seen conditions quite as bad as they have been in this country and the world over since October, 1929.

"Do you want to know one of the outstanding differences between 1921 and 1929-30-31 and 1873, 1893, 1901 and 1907? J. P. Morgan the Elder. In those four earlier periods we had panics plus Mr. Morgan. In the last two we had—call them what you please—minus Mr. Morgan.

"I want to tell you that this is a big difference. Do you remember that heartbreaking and fateful afternoon in October, 1907? The word went over the underground wires in Wall Street that brokers could not borrow any money, even to carry their commitments overnight. The atmosphere was tense, the Street was on the verge of general bankruptcy—and knew it. Then, like magic, just about 'delivery time,' there was flashed over every private wire from the Stock Exchange, 'Morgan throws $25,000,000 into the loan crowd.' That meant he had made that big sum of money available in the money loaning department of the Stock Exchange, at a time when none was to be had there, nor at the banks.

"The effect was immediate and tremendous. Even such standard stocks as Union Pacific common jumped $10 a share on the next sale. Before the closing gong sounded on the Stock Exchange at three o'clock a big rally had taken place in the stock market. Wall Street knew it was not 'going broke' that night, no matter what might happen later on.



"The word was quickly passed around that firms needing money to carry them overnight should send their representatives to the office of J. P. Morgan & Co. It was then in the old building on the same site on which now stands a splendid new building. I was privileged to be there as an 'unofficial observer,' as you would say now. I shall never forget the sight which my eyes beheld. Mr. Morgan sat in a big armchair on the Broad Street side of the main floor offices. He seemed to me a veritable king on his throne. He certainly was the king of finance that October afternoon, with a drab sky overhead and everywhere in the Street pronounced evidence of the extreme tension of the business day, the culmination, as it proved, of a panic—the 'rich man's panic'—that had been under way since March of that year.

"Mr. Morgan fumbled the charm of the heavy watch chain tnat he invariably wore. In came the men, one after another, so sorely needing money. They were not runners, but heads of firms in most cases. On each and every face was stamped a picture of strain and anxiety. Of each Mr. Morgan asked, in his characteristically blunt way, the same questions—'Who are you from?' 'How much money do you need?' The amounts ranged from perhaps about $100,000 to a million or two. One after another, he directed those men, who were willing to bend the knee as to an actual king, to the big banks in the Street. Out they went with an expression of fear and suspense changed to relief.

"Having finished this gigantic task, single-handed as it were, he rose from his 'throne' chair and walked a few steps to his desk and sat down as though he had only performed an ordinary task in a day's work. How did he get that money? He simply told the officials of the banks in advance that they must supply whatever amount he called them for. There was no committee meeting.

"That was real leadership in a great crisis. I may be called a heretic by my younger brethren in the banking fraternity, but in my judgment one of the greatest needs right now is leaders to tell people what they *must* do, the way the elder Mr. Morgan used to tell them."

Tight Thinking and Tight Money

"A bit of introspection tells me all I need to know about the mood of business," said the president of an insurance company that does business around the world. "This company has several hundred million dollars out on real estate mortgage loans, and yet if I had five millions available for such loans today I would be at a loss to place them. Not that I would be without invitations in plenty, but that every one of them would be approached in a highly skeptical mood and with a magnified factor of safety. Did you ever notice how you instinctively reduce your driving speed in an automobile after you have seen a nasty collision or turtle-turning skid? We have witnessed some harrowing loan accidents in the past year or two. Low speed and security appeal to us far more than high speed and maximum investment of our funds. No doubt we reject applications that we would accept in other years. As times get better we will find ourselves unconsciously becoming less severe in our requirements. That is human nature, which is pretty much the same in a great financial institution in Wall Street as in a notion store on Third avenue."

Low Values for Silver Bring Great Economic Changes to Silver Producing as Well as Silver Consuming Countries.

Our Trade with the Orient Is at Stake.

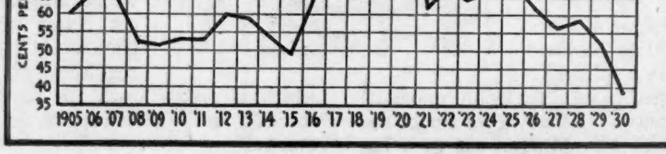
An Important Factor in the Earning Position of Mining, Metal, Chemical and Other Industries Is Introduced.

How Silver's Decline Affects the American Pocketbook

By George E. Anderson

THERE are two practical phases of the problem involved in the collapse of silver in world markets. One phase has to do with the effect of record low prices for silver upon the mining industry of the United States and upon American investments in the mining industry in other countries. The other has to do with the effect of the decline in the price of the white metal upon the export trade of the United States, particularly the export trade to China and India. The first phase accounts for the activity of Senator Kay Pittman of Nevada and his confreres of the sub-committee of the Senate Foreign Relations Committee in developing the proposition for a silver loan to China for the purpose of reviving silver and Chinese trade in the same operation. The second phase has been developed more or less independently of the Pittman proposition in a growing feeling among American business men that silver in its distress is interfering with recovery in other commodities and that the distress of silver producing and silver using countries must be relieved before world business can again become normal.

It has come to be almost axiomatic in current discussion of the silver problem that the fall in the price of the white metal in the past eighteen months has reduced the buying power of most of the Orient and several other countries by half and that much of current world depression in business has been the result. That the effect of the price decline has been serious is to be admitted; but it is also to be noted that the price decline has been partly a result rather than altogether a cause of current depression, the two forces reacting upon each other in progressively disastrous consequences.



From the standpoint of capital wealth the loss in silver using countries has been enormous. The silver stocks of India, including coined rupees, reserves, hoards, and silver in use as ornaments which in India is another form of hoarding, is currently estimated at 5 billion ounces. At the average price of 53.3 American cents per ounce in 1929 this stock had a gold value of 2,665 million dollars. At the price of 25¾ cents per ounce in mid-February it had a value of 1,287 million. Similar stocks in China are estimated at, roundly 3 billion ounces which at the average 1929 price had a value of 1,599 million dollars and at the mid-February price a value of only 772 million. In other words the capital value of silver stocks the world over has been reduced by more than half in a year and a half. The loss of the United States government on the silver reserves in the United States treasury, for instance, has been upward of 100 million. The total loss the world over will closely approach two and a half billion dollars. Such capital losses, when realized by the people concerned, naturally have a paralyzing effect upon trade if for no other reason than the inevitable psychological reaction.

A high level of silver prices is not essential for the import trade of the Orient. In India, which has the world's greatest silver stocks, the silver rupee is pegged to gold at 18 pence or 36 gold cents. The country's buying power on the basis of current earnings or current exports therefore is measured by this fixed exchange rate. The government of India and not the Indian ryot bears the loss. A striking illustration of this lies in the fact that an Indian hoarder can take, and does take, a coined rupee containing about one-third of an ounce of silver whose bullion value at present is about 8.7 American cents and

China "Ripe for a Loan"

By Chao-Chu Wu

Chinese Minister to the United States

At the request of The Magazine of Wall Street *Mr. Chao-Chu Wu, envoy extraordinary and minister plenipotentiary of China to the United States, made the following statement regarding a Chinese loan:*

"The National Government of China is interested in proposals now before the United States Senate for a Governmental silver bullion loan to China. I am not prepared to say which is best: a silver bullion loan or a gold loan, or possibly some other credit arrangement.

"However, I believe that China is ripe for a loan. It is true that this might be a costly time to negotiate a loan. If it should be in the form of a silver bullion loan repayable in silver, and silver should be rehabilitated before the maturity of the loan, it might cost China 100 per cent or more, in addition to ordinary interest. But, now that internal peace has been substantially attained, the time is opportune for a foreign loan, because we now have assurances that such a loan could be entirely used for constructive rather than military and administrative purposes.

Chao-Chu Wu

"It is my belief that a foreign loan, of sufficient magnitude, could be used to put China on the road to splendid industrial and commercial progress, including a marked advance in the material standard of living, with great advantages to the United States and other trading nations. I sincerely believe that China can be raised to a much higher standard of living, notwithstanding its immense population.

"It goes almost without saying that China is deeply interested not only in the stabilization of silver, but in the restoration of something like its former normal value of, say, around forty-five gold cents, to the Chinese dollar. A very considerable part of the wealth of China is stored in the form of silver. The depreciation of silver has thus not only reduced the purchasing power of money in China, but has also reduced the inventory of wealth. Both of these conditions are contributory to decreased foreign trade and industrial and commercial depression at home."

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with it buy 36 cents worth of bullion, at present price 1.37 ounces or over four times the bullion content of the rupee.

The result has been that in the first eight months of 1930 India's net imports of silver amounted to 71,772,700 ounces as compared with 50,391,800 ounces in the same period of 1929. The Indian hoarder has suffered a loss in the gold value of his bullion but since the possession of bullion is his object he will be utterly unaware of the fact that he has been hit unless and until he attempts to turn his bullion into rupees. When this occurs on a material scale the Indian government will face another real problem. In the meanwhile whatever loss there has been in American or other foreign trade in India has been due to general economic conditions in the empire in which the price of silver has been a factor only in its reaction upon the fiscal policy of the Indian government.

In China the situation is different. Since there is no international exchange value of Chinese currency other than the actual bullion value of the coins the buying power of the Chinese people in international markets depends entirely upon the price of silver and that has been cut in half. However, China pays for its imports not in silver but in goods—goods at silver prices, to be sure, but goods for all that. It requires more Chinese goods to pay for a given volume of imports but Chinese exports normally would bring a correspondingly higher return in silver. More than once China has demonstrated its ability to adjust its international trade to such a situation if conditions in the country are such as to permit a normal production and free movement of commodities for export.

A low value of silver normally is a great stimulant to Chinese exports since normal gold prices exchange for a greater return in silver currency on the basis of which goods are produced. High silver prices do not stimulate China's foreign trade. While, with a high price for silver, the Chinese dollar will buy more foreign goods than at lower silver exchange, such high price increases the gold cost of Chinese export products and automatically tends to check Chinese exports without which China can buy nothing.

China Must Sell to Buy

Let this point be made clear and emphatic by repetition—China can import nothing until it has exported. The country has little or no buying power reserve. An examination of China's import and export records for the past quarter of a century demonstrates that excepting the years of war time inflation during which Chinese products could be sold abroad at almost any price China absorbs more foreign goods at moderate exchange—i.e., there is a better equilibrium between necessary exports and possible imports at a moderate priced dollar than at any extreme. After a good many years of study of, and experience in, Chinese trade and finance the writer is of the opinion that Chinese trade flourishes best for all concerned around a forty cent dollar; and this is the level of exchange the Chinese government is aiming for in its contemplated shift to a gold standard for its currency.

At present China's chief difficulty in international trade is not the low value of silver but its inability to dispose of its products abroad at even the lower gold prices possible at low silver exchange. The foreign demand for the soy bean crop in Manchuria is so small at present that mills in China today are using 40 per cent beans and 60 per cent coal for fuel. A similar falling off in the demand for Chinese silks, tea, hides and skins, egg products and prac-

(*Please turn to page* 648)

Investment Trusts—A Revelation of Annual Statements

Two Year Comparison of 58 Management Investment Companies Shows Startling Variations and Indicates the Soundest Organizations

By Carl Williams

WORKING through the annual reports of the management investment companies creates an emotion akin to that aroused by inspection of a battlefield after a life and death struggle of two armies. Many of that proud array of financial giants that started out so boldly in 1928 and 1929 have fallen to rise no more and nearly all have serious bruises and sore spots if not mortal wounds.

It has been the fate of these companies, as if the Gods would try their managers' souls, to be called upon to report at the ends of 1929 and 1930 and in the midyear of 1930, in each instance, just after a violent break in the market, and a few weeks later to see the market almost ironically soar to heights that belied the indelible record of the depths to which they had sunk. For some time to come, management trusts will be remembered for what the market did to them rather than for what they did to the market.

Investment companies have passed through a period which has tried them by the ordeal of adverse conditions. In their current position we have, therefore, perhaps the soundest appraisal of management skill that could be made. This authoritative comparison commends itself to all investors interested in this type of investment.

In A Falling Market

Yet after all, the innocent bystander has only seen what investment companies have done in the greatest bear market in history. He has yet to see what most of them can achieve in a normally rising market which is a milieu to which their capacities are much better adapted. Some inkling of this may be gained by the experience of the seasoned American Founders Co. which built up an unbroken record to October, 1929 only to fall from then on quite as badly as the newcomers. It is probably not quite just to the trust managers to judge them entirely by the unfortunate results of the past two years. They were caught in their ordinarily successful activities of selling and trading by a revolution of the business cycle as remote from their understandings (until it was all over) as the Aurora Borealis.

In the following tabulations of investment trusts and holding companies, the same difficulties as formerly, though not to the same extent, have been encountered in the way of inadequate information, lack of comparative data, reports at odd dates and for varying periods and the like. These are perhaps avoidable confusions, but when added to the great diversity of capital structures and stock provisions a clear-cut comparison of results attained by the different organizations is made a task for the trained and industrious analyst rather than a busy investor. It was with the idea of simplifying these difficulties that the accompanying tables were made. The first table gives the net asset values of the common or Class A stocks of 58 companies or of the preferred where data applicable to the common is not available (taking portfolios at market values) for the years ending December, 1930, 1929 and 1928 or for intermediate dates where the company was organized in, or did not report before 1929. In one column the percentage decline of this net asset value from December 31, 1929 to December 31, 1930 is indicated. This column does not speak truthfully without an interpreter, however, because two different types of equities are being compared. It is paramount that this be recognized lest the investor fall into serious error and form a poor opinion of certain sound companies while at the same time holding others in an esteem that is really unwarranted. The first type of equity is where the common stock represents the sole capitalization of the company, while the second is where the common is preceded by senior issues. Fluctuations in the common stock asset value of first type (marked * in the table) give an approximately accurate reflection of the percentage rise or fall in the company's total portfolio and in consequence roughly represent real performance. The representation is rough because some of these stocks pay dividends while others do not and some have been enhanced in value by company purchases below break-up value while others again have not been so affected.

Preceded by Senior Issues

The common stock asset value of the second type, however, or those preceded by senior issues and unmarked in the table, fluctuates to a much greater extent than the total asset value of the company's portfolio and therefore does not

Common Stock Net Asset Values of 58 Companies and 1930 % Decline

	Dec. 31, 1928	Dec. 31, 1929	Dec. 31, 1930	1930 % Decline	Current Price	Dividend
*Mayflower Associates, Inc.	57.02	58.66	54.93	6.3	43	$2.00†
*Shawmut Association	22.54	23.85	19.98	16	11	.80
*Ungerleider Financial Corp.	52. (5/29)	49.36	40.92	17	27	..
*Lehman Corp.	100. (9/29)	91.54	75.61	17	66	3.00
Chicago Investors Pfd.	71.09 (8/29)	52.67	42.72	18.8	30	3.00
American & Gen. Secs. Cl. A.	....	25.71 (5/30)	20.51 (11/30)	20	14B	.50
*Fourth Nat'l Investors	53.85 (8/29)	46.80	37.36	20	32	..
*Boston Personal Prop. Trust	....	29.85	23.67 (1/31)	20.7	20	1,00
*Int'l Superpower	49.21 (4/29)	40.58	31.34	22	27	1.00†
Second Nat'l Investors Pfd.	106.	102.80	79.49	22	54	..
*Third Nat'l Investors	47.27 (4/29)	41.27	31.88	22	26	..
*Int'l Carriers, Ltd.	23-25.50 (8/29-9/29)	19.46	14.91	23	12	G
*Graymur Corp.	50. (4/29)	45.16	34.20	24	29	1.00
*Vick Financial Corp.	9.71 (10/29)	9.68	7.38	24	7	.40
*State St. Investors	94.43 (Adj.)	87.94	65.17	25	71	3.00
*General Capital Corp.	75. (8/29)	59.52	43.93	26	25	..
*Incorporated Investors	58. (Equiv.)	46.79	33.92	27	39	1.00†
*Mohawk Investment Corp.	60.35 (Adj.)	60.56	43.07	29	49	2.00
United Corp.	28.80A (4/29)	33.55	21.41	33	26	0.75
U. S. & Int'l Corp. 1st Pfd.	....	137.60	92.08	33	55	..
Railway & Lt. Secs. Co.	70.16	69.46	45.22	35	50	2.00†
Tri-Continental Corp.	29. (1/29 adj.)	15.81	10.20	35	11	..
Capital Administration Cl. A	21.55	23.13	14.68	36	15	1.00
*Electric Power Associates	27. (2/29) 40. (6/29)	32.93	21.10	36	18	1.00
*Insuranshares of Del. Cl. A	20.75 (9/29)	15.20	10.15	36	9	0.40
Electric Shareholdings	20. (1929)	18.75	11.37	40	15	6%
Prudential Investors	25.03 (3/29)	21.42	13.40	40	13	..
U. S. & British Int'l Cl. A	....	23.33 (5/30)	14.27 (11/30)	40	13B	0.50
Inter'l Secs. Corp. A	....	35.63 (5/30)	20.69 (11/30)	41	18B	1.20†
Second Int'l Secs. Corp.	....	32.78 (5/30)	18.84 (11/30)	42	18B	1.00
American Cities Pw. & Lt. Cl. B	12.60C	13.74A	7.79A	43	9	10%
American International	40.39	35.86	19.94	44	24	2.00†
Chartered Investors	25. (1/29)	27.10	15.18	44	15	0.50H
Adams Express Co.	27.26 (Adj.)	29.94	16.40	45	23	1.60
Blue Ridge	20. (8/29)	9.47	5.17	45	5	..
American European	44.61	48.20	25.60	47	31	..
Inv. Co. of America Pfd.	....	170.00K	88.13 (12/30)	49.5	X	7.00
Amer. Superpower	12.78 (Adj.)	15.74	7.81 (1/30)	50	15	0.40
*Investment Trust Associates	....	28.25 (5/30)	14.40 (11/30)	50	9B	0.50
Continental Shares	31.73 (Adj.)	32.75	15.61	52	11	1.00
American Founders	....	11.58 (5/30)	5.55 (11/30)	..	5	..
General Amer. Investors	....	11.62	5.53	52	6	..
General Public Service	27.36 (Adj.)	26.46	12.65	52	20	6%
Investors Equity	30.20 (5/29)	26.99 (5/30)	12.63 (11/30)	53	8	..
National Investors Pfd.	293. (adj. to present no. shares)	86.37	85.30	54	40B	..
*Petroleum Corp.	34. (1/29)	31.78	13.82	56	10	1.00
Sun Investing Corp.	26.65 (7/29)	20.63	8.50	59	7	..
United Founders	....	21.41 (5/30)	8.96 (11/30)	60	8	..
Shenandoah	17.50 (off Pr. 7/29)	9.47	3.32	64	6	..
Utility Equities	....	11.78	4.18	64.5	9	..
Continental Securities	....	62.43	20.55	67	25	2.00
*Goldman-Sachs	48. (Adj.)	40.94	12.40	70	9	..
U. S. & Foreign	30.28	30.78	9.40	70	11	..
Commonwealth Secs.	67.63 (6/29)	45.14	12.31	73	15F	..
Reliance Int'l Cl. A	15. (Est. 9/29)	10.41	1.20	88	5	..
Aldred Investment Tr.	....	13.37	1.67D	112	X	..
Selected Industries	7.14+ (Orig. Subs. Pr. 1928/29)	3.42	.78D Est. Approx.	122	4	..
Sterling Securities Cl. A	15.65	10.83	10.86D	200	5	..

A—Allowing $50 for Pfd. C—Allowing $55 for Class A. K—Indi cated approx. B—Bid price. X—Market very wide. F—Offer price. † Plus extras. G—Paid 0.25 1/31. H—Initial payable 2/31. * Sole capitalization consists of common stock. D—Deficit.

truly represent the company's real performance. It is only an indication of the general trend of total asset values and should be considered merely as such, subject to more detailed analysis. This rate of increase or decrease in value is the mysterious "leverage" by which fortunes are made—and lost. It is greatest where the common capitalization is smallest in relation to the senior securities and is of course smallest in those cases where the common stock is almost the sole capitalization.

Perhaps the best way to explain this is by a theoretical example. Suppose an investment company to be capitalized at $1,000, of which $500 is represented by bonds and $400 by preferred stock and the balance $100 by common stock. Then should the company's total portfolio decline 10 per cent in value, if par value is allowed for both bonds and preferred, it has the effect of entirely wiping out the common equity—a very disheartening contemplation. Suppose, however, that the company's total portfolio rises by 10 per cent and the reverse effect takes place. Allowing as before for the bonds and preferred stock at par, we find that the common stockholder's equity has grown from an original $100 to $200—a gain of 100 per cent.

Now taking a similar company capitalized at $1,000, which is represented solely by common stock and suppose that the same reaction marketwise which for the first company caused a decline of 10 per cent causes in this case a decline of 50 per cent in the value of the company's portfolio. Here, the common stock equity instead of being entirely "wiped out" or worse is but halved and a superficial examination of the record would give an absolutely wrong impression as between the two types of company. The tendency would be to avoid the first company like the plague whereas on real performance this would be a very much better long term investment than the other, regardless of the infinite difference in their asset values. This principle of "leverage" is clearly brought out in the table and it will be seen, from the common stockholder's viewpoint, that the group where the common shareholder's equity comprises the sole capitalization of the company shows up to much better advantage in the declining markets of the past sixteen months.

On the other hand if it is expected that the present rising market is to continue the better commitment would be in those companies having senior issues ahead of the common.

Should the investors choice rest on a company of the latter type rather than upon those having common stock only, his specific selection is complicated for the reason that the proportion of senior securities to equity stock varies so radically among the 38 companies considered that it would be unfair to compare them solely on the basis of common stock asset value. That is to say that the *amount* of "leverage" varies immensely and, having shown that it is impossible to make a comparison on common stock asset value alone between those equities having this factor and those without it, it would be equally unfair on the same basis to compare those with much leverage and those where this is relatively unimportant. Furthermore, some companies, as Prudential Investors for example, have retired so much preferred or so many bonds as to substantially affect the value of the equity shares. Others have exchanged preferred for common shares while others have increased capitalization as United Corp. by exchange for other stocks on a basis not easily computed, or have reported on a comparable basis for brief or irregular periods.

To get a true picture of what actually happened in these more complicated situations, it is essential to compare the total assets, allowing for expansion by merger or otherwise, at the beginning and end of 1930 as affected both by operations and capital readjustments. Such a comparison (except for United Corp.) of twelve companies is brought out in Table II. Here the true results for 1930 may be compared with the percentage declines of all listed stocks (including preferreds) and adjusted for "split ups," etc., of 31.8% as reported by the New York Stock Exchange.

Mayflower Associates made the outstanding record for the companies listed, in actually showing a small profit for the year if dividends are added back to net asset value at the end of 1930, but it is gratifying to note that so many other organizations exercised the prudence that seemed obviously called for under the circumstances and that the public expected would be in evidence by reporting a much smaller loss than the average of all listed stocks in a difficult year.

An inspection of the annual reports and balance sheets of some of the above companies which came through the ordeal relatively unscathed discloses the exercise of genuine long range investment judgment that investors have a right to expect from admitted financial and business experts. It is apparent that the managers of these more successful companies were astute enough to foresee at least a dubious outlook for business in the Spring and Fall of the late unlamented year and to switch from equities into cash or fixed income assets in order to be on the safe side. This type of management insofar as it bettered the performance of the average individual investor by a large margin is entitled to a high rating. A company's record under adverse conditions is, after all, the test of sound management. Indeed there is no other standard by which this most important consideration of an investment company can be appraised by the present or prospective holder of trust shares. As between those stocks favored by "leverage" and those without, the choice must be with the individual who will make due allowance for the varying degree of risk envolved, not forgetting that the portfolios of many investment companies are now undoubtedly over the worst of their deflation.

TABLE II
In a Declining Market Common Stock Capitalization Only Is Safer.

	Decline in total net assets from 1930 operations %	Net decline in assets in 1930 %	
Mayflower Associates	.3+	.9+	Common Stock Capitalization only
Shawmut Association	12.9	12.9	
Ungerleider Financial	13.7	17.1	
Boston Personal Property	17.3	17.3	
Lehman Corp.	17	17.7	
Fourth Nat'l Investors	20.2	20.2	
Capital Administration	8.6	14.3	Capitalization including Preferred Stock or bonds, or both
Tri-Continental	12.3	15.5	
Railway & Light Secs.	17	17	
Electric Shareholdings	17.9	20.4	
Prudential Investors	24.4	24.9	
Amer. Cities Pw. & Lt.	24.1	25.1	

BONDS

Extensive Hidden Appreciation Possibilities in High Grade Bonds

Steady Drop in Commodity Prices and Cost of Living Increases Purchasing Power of Bond Income, and Enhances Effective Value of Bond Principal

By WILLIAM KNODEL

HIGH grade bonds have experienced an effective appreciation of 66% over the period of the past decade. This statement will no doubt surprise most investors because appreciation potentialities are not ordinarily associated with high grade bonds. Rather, the investor has long been impressed with the belief that high grade bonds are the very incarnation of stability, and to learn now that they are worth 66% more than ten years ago is a startling revelation, needing an explanation.

The average price of 60 high grade bonds in 1920 was 80.8 or $808 per $1,000 par value bond. The average coupon rate of these 60 bonds was 4.40%, but selling at a discount, the yield obtainable was 5.88% to maturity, which was 25 years hence. In January, 1931 the comparable price of this list of 60 high grade bonds was 99.5 and the yield was cut down to 4.43% to maturity. Taking these facts at their face value, the investor will reason that the increase amounted to $187 per $1,000 bond or an appreciation of 23% during this period. True enough. But this is only part of the story.

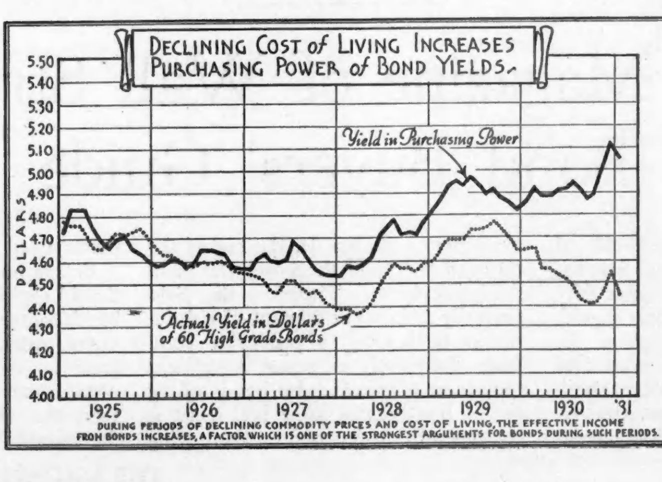
During the decade a significant development, and particularly so from the bond investor's standpoint, occurred, namely commodity prices and the cost of living have been falling off more or less steadily throughout. Commodity prices as measured by the United States Dept. of Labor's wholesale commodity price index dropped 51% during this period, while the cost of living as computed by the National Industrial Conference Board declined 27%. The purchasing power of the dollar has increased, and this phenomenon has affected the purchasing power of the bond principal just as surely as it has actual money.

Principal and Interest Worth More

If 80.8 was the price of the bond in 1920, then the effective price today in terms of the cost of living is 134, which represents an appreciation of 66%. This computation takes into consideration that the actual price of the bond today is 99.5. If, instead of the cost of living, the present level of wholesale commodity prices is used then the effective price of the bond today is 196, which represents an appreciation of 141% over 1920.

The question can be considered from another angle, namely that of income. When the investor purchases a bond, the dollar income to him remains the same throughout the entire period that he holds this bond. The effective income, however, varies according to the purchasing power of the dollar from time to time. During a long period of rather steadily declining commodity prices such as we have been in since 1920, and which some competent economists believe we shall continue to see for a considerable time into the future, basing this on historical analogy, the purchasing power of the dollar income from bonds steadily increases.

Thus, for instance, the yield of 5.88% obtainable from high grade bonds in 1920 has now become an effective yield of 7.95% after adjusting for the drop in the cost of living, and to 11.60% based on the present level of wholesale commodity prices. The effective income has practically doubled if the latter figure is considered and has increased 35% in terms of the cost of living.



DURING PERIODS OF DECLINING COMMODITY PRICES AND COST OF LIVING, THE EFFECTIVE INCOME FROM BONDS INCREASES, A FACTOR WHICH IS ONE OF THE STRONGEST ARGUMENTS FOR BONDS DURING SUCH PERIODS.

The graphic representation which accompanies this article of the divergence of the effective income and the actual yield from bonds illustrates admirably the fact that the return in dollars is not an accurate index of the purchasing power of bond income. The period covered by the chart is from 1925

to the present time.

Bonds Again Dominate New Financing of Domestic Corporations

	1930 Amount of new issues	1930 % of Total	1929 Amount of new issues	1929 % of Total
Long term bonds and notes	$2,810,318,510	56.7	$2,369,365,000	25.2
Short term bonds	620,254,150	12.5	250,588,150	2.7
Preferred stocks	421,538,230	8.5	1,694,749,201	18.1
Common stocks	1,105,018,763	22.3	5,061,849,892	54.0
Total	$4,957,129,653	100.0	$9,376,552,843	100.0
Railroads	$1,026,536,600	18.8	$817,195,385	8.2
Public utilities	2,566,216,574	46.8	2,442,768,535	24.3
Industrials, etc.	1,880,525,869	34.4	6,766,396,700	67.5
Total	$5,473,279,043*	100.0	$10,026,361,120*	100.0

* Includes all new corporate issues floated in the United States, whether for domestic or foreign corporations.

Fundamentally, therefore, the holders and purchasers of high grade bonds have occupied an enviable position and will continue to do so as long as the trend of commodity prices and the cost of living keeps on going downward. When the basic trend of commodities reverses itself and starts going up, bonds will occupy an entirely different position. Instead of enjoying a steady increase in the effective income and principal, the opposite will be the case. Bonds will steadily lose in effective value as commodity prices continue rising. This was exactly what happened in the two and one-half decades preceding 1920 when in consequence of the steady rise in commodity prices, bonds were steadily losing in effective income return and in principal. Indeed, the entire period was marked by a gradual but steady decline in bond prices as well.

All of this brings us to the question of what the bondholder or the bondbuyer might reasonably expect in effective appreciation over future years. Assuming that commodity prices and more particularly the cost of living will continue to decline as historical precedent indicates that it does for several decades after major catastrophes such as the World War, the bondholder will naturally benefit from the steadily increasing buying power of the dollar.

The cost of living index as computed by the National Industrial Conference Board now stands at 148 compared with the relative of 100 in July, 1914. If over a period of years the index drops down to 100, the pre-war level, the purchasing power of the dollar will increase 48%. This of course will also represent the amount of effective appreciation in the yield and in the principal amount of a bond purchased now and held until the time the cost of living index does drop to 100.

This effective appreciation of 48% does not take into consideration any change in the actual level of bond prices. If high grade bonds continue the long term upward trend in prices manifested during the past decade, then the bondholder experiences additional effective appreciation during a period of declining commodity prices. To give the reader an approximate idea of what this would amount to, suppose the average of 60 high grade bonds advances from the present level of 99.5 to 110, and the cost of living as revealed by the index drops from 148 to 100, the pre-war level. The effective appreciation from the combined influences would approximate 63%.

The development of higher bond prices in the future of course depends directly on the trend of long term interest rates. At present there is a wide spread between short term interest rates and long term interest rates, but the probabilities are that this will tend to close up over a period of time. Investor confidence in sound high grade issues is being re-established rapidly and as this proceeds, bond financing will increase, and the flow of liquid capital to the more fixed form of capital will tend to benefit the bond market.

Figures on new financing for 1930 clearly indicate that bonds have re-established themselves as the dominant medium for raising new capital, and during the current year several large issues have already been floated. The threat to the bond market believed to have been held through the revised soldier bonus plan now appears to be much less serious than at first supposed, and even though a certain amount of financing may be necessary to swing the revised plan, the bond market should make considerable headway despite this. With strength manifesting itself in the stock market and an extensive recovery from the depressed levels of the latter part of 1931, the stage is set for bond financing on a large scale. The attractive yields obtainable on the better grade bonds at present will probably appear very alluring when the bond market has regained its rightful place.

The Magazine of Wall Street's Bond Buyers' Guide

In using the Bond Buyers' Guide of THE MAGAZINE OF WALL STREET, which contains a list of some fifty to sixty bond issues, the readers should, of course, realize that although all the issues have been carefully scrutinized to determine their fundamental soundness, the individual issues, nevertheless, do vary considerably regarding investment merit. As a rule, the higher the grade of the bond the lower the yield obtainable on it. Therefore the yield generally reflects the amount of risk involved in holding a particular bond issue. Frequently, however, investment opportunities are offered in bonds selling out of line because their real merit is not generally understood by the buying public until brought to their attention.

Before purchasing a bond, the buyer should always determine what grade of bonds suits his purpose the best. Investors with other sources of income, such as the business man, can of course assume a greater degree of risk than one who is largely dependent on the income from investments. To the

latter, safety of principal is as important as steadiness of income and therefore it is the better policy for the average investor of this type to favor the higher grade issues.

One of the prime essentials for the bond buyer is to observe a proper degree of diversification in his investments. The reason for diversification is that the law of averages will operate as a safeguard. In accordance with this principle, the investor should limit the amount of his funds in any one type of enterprise, or in any company, or in any geographical locality. This sort of distribution will prevent depression in any particular industry, locality, or in the affairs of any company from affecting to any considerable extent the fundamental soundness of his entire list.

Through the medium of convertible bonds, the investor is offered in addition to the ordinary bond investment also the appreciation possibilities of the common stock of the company into which it is convertible. The bond is a call on a certain amount of common stock for a certain period and in holding this call the purchaser receives recompense in the form of yield obtainable at the particular price the bond was purchased at. However attractive a convertible bond may appear from the point of view of immediate appreciation because the price of the stock is either near or above the price at which the bond can be converted, the investor should always keep in mind the investment position of the bond. When the conversion feature of the bond is of no immediate consequence, this latter becomes the chief factor influencing the issue.

Railroad and public utility bonds as classes constitute excellent investments not only because of the essential nature of both types of businesses, but also because both operate on fixed rates with limited or no competition. Insurance companies, savings institutions, and trust funds have long taken large amounts of the better grade rail bonds, and in recent years public utility bonds have gained steadily in favor. Railroad equipment bonds have an enviable record as investments. Industrial bonds are somewhat more speculative although the large well intrenched and ably managed enterprises offer high grade security in their bond issues.

Regarding the maturity dates of bonds, the investor should observe the principle of diversification also. Funds should be spread to include short term, medium term and long term bonds. In this way, the investor averages periods of favorable and unfavorable interest rates.

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atchison, Top. & S. F. Conv. 4s, 1955..	273.3	3.77	110	96	4.2	4.2
New York Central Deb. 6s, 1935.......	630.2	1.54	110	107	5.6	4.3
Great Northern Gen. A 7s, 1936.....(b)	139.8	1.98	....	112	6.3	4.5
Rock Island-Frisco Terminal 1st 4½s, 1957 .....(d)	....	X	102½T	99	4.5	4.6
Pennsylvania 5s, 1964	....	1.81	102T	105	4.8	4.7
Central Pacific Guar. 5s, 1960.......(a)	....	1.91	105 ('35)T	104	4.8	4.8
Illinois Central 4¾s, 1966..........	....	1.50	102½ ('36)T	98	4.8	4.8
Wabash Ref. & Gen. 5½s, 1975......(a)	61.6	1.52	105A ('35)	99	5.1	5.1
Southern Railway Dev. & Gen. 6s, 1956.	133.8	1.51	....	112	5.4	5.2
Chic. & W. Indiana 1st Ref. 5½s, 1962.	49.9	X	105	105	5.2	5.2
N. Y., Chic. & St. L. Ref. 5½s, 1974.(a)	58.8	1.60	105	105	5.2	5.2
Missouri Pacific 1st & Ref. 5s, 1977.(a)	94.6	1.35	105A	94	5.3	5.3
Nor'n Pacific Ref. & Impr. 6s, 2047.(a)	165.6	2.12	110 ('36)	113	5.3	5.3
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 .....(b)	14.2	X	107½T	108	5.6	5.4
Balt. & Ohio Ref. & Gen. 6s, 1995..(a)	285.3	1.64	107½A ('34)	110	5.5	5.5
Central of Georgia Ref. 5½s, 1959......	30.9	1.39	105A ('34)	99	5.6	5.6

Public Utilities

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Pacific Gas & Elec. Gen. Ref. 5s, 1942..	29.0	2.26†	105T	103	4.9	4.7
Utah Power & Light 1st 5s, 1944......	....	2.83†	105	102	4.9	4.8
Consol. Gas of N. Y. Deb. 5½s, 1945.(a)	191.1	5.51	106T	106	5.2	4.9
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.87†	....	100	5.0	5.0
Montana Power Deb. 5s, 1962.......(a)	33.3	3.14†	105T	100	5.0	5.0
Hudson & Manh'n 1st Ref. 5s, 1957..(b)	5.9	1.58	105	100	5.0	5.0
Columbia Gas & Elec. Deb. 5s, 1952....	....	3.27	105T	99	5.1	5.1
Arkansas Power & Lt. 1st & Ref. 5s, 1956 .....(c)	2.0	2.45†	105	97	5.2	5.2
Detroit Edison 1st & Ref. 6s, 1940...(b)	14.0	3.27	107½T	105	5.7	5.3
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A" .....(a)	8.4	2.20†	110	106	5.7	5.4
Amer. W. Wks. & El. Deb. 6s, 1975.(a)	12.7	1.42	110	105	5.7	5.7
New Orleans P. S. 1st & Ref. A 5s, 1952 .....(a)	9.7	1.32†	104	90	5.6	5.8
United Lt. & Rys. 1st Cons. A 6s, 1952 .....(b)	11.3	1.46	(N)	101	5.9	5.9
Standard Gas & Elec. 6s, 1935	432.2	1.60†	103	100	6.0	6.0
Standard Gas & Elec. 6s, 1966.......(b)	432.2	1.60†	105T	98	6.1	6.1
Cities Service Pr. & Lt. Deb. 5½s, 1952	104.4	1.53†	105	83	6.6	7.0

Industrials

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Midvale Steel & Ord. Conv. Coll. 5s, 1936 .....(a)	....	4.34	105	103	4.9	4.4
Gulf Oil Deb. 5s, 1947 ....(c)	....	13.04†	104AT	104	4.8	4.6
Allis Chalmers Deb. 5s, 1937........(a)	....	6.29†	103T	102	4.9	4.6
Youngstown Sh. & Tube 1st 5s, 1878.(a)	....	2.93	105T	102	4.9	4.9
Sinclair Pipe Line 5s, 1942..........(a)	....	6.33†	103	100	5.0	5.0
National Dairy Prod. Deb. 5¼s, '48.(a)	....	12.74†	105T	101	5.2	5.2
Purity Bakeries 5s, 1948..............	0.6	7.74	103½	96	5.2	5.4
Chile Copper Deb. 5s, 1947...........(a)	....	10.20†	102T	95	5.3	5.4
Amer. Cyanamid Deb. 5s, 1942..........	0.3	10.58†	100	95	5.3	5.6
International Match Deb. 5s, 1947...(a)	....	9.81†	109H	92	5.4	5.8

Short Terms

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Humble Oil & Ref. Deb. 5½s, '32....(b)	....	13.59†	102½A	102½	5.4	3.8
Smith (A. O.) 1st S. F. 6½s, 1933..(a)	....	34.45†	101T	103	6.3	5.2
Middle West Utilities 5s, 1933..........	881.6	1.39†	101½	98	5.1	6.0

Convertible Bonds

		Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atch., Top. & S. F. Deb. 4½s, '48..	Com.@166.6	3.77	102	121	3.7	2.9
N. Y., N. H. & Hart. 6s, '48......	Com.@100	1.92	....	117	5.1	4.6
Baltimore & Ohio Conv. 4½s, '60....	Com.@120(h)	1.64	105	97	4.6	4.7
Texas Corp. 5s, 1944...............	Com.@70	18.08†	102T	100	5.0	5.0
Chesapeake Corp. Col. Tr. 5s, '47...	C. & O.@106	2.84†	100	100	5.0	5.0
Chic., Rock Island & Pac. 4½s, 1960.	......	1.58	105 ('36)T	90	5.0	5.2
Inter'l Tel. & Tel. Deb. 4½s, '39...	Com.@63.9	3.07†	102½	95	4.7	5.2
Amer. Inter'l Corp. Deb. 5½s, '49...	Com.@80	1.49†	105	93	5.9	6.1
Utilities Pwr. & Lt. 5s, '59, w.w. (L)	......	1.62†	105T	74	6.8	7.1
Assoc. Gas & El. Conv. 4½s, '49 (K)	......	1.69†	103T	68	6.6	7.8

All bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. *On total funded debt.

A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (h) Convertible after February 1, 1931. (K) Convert. into 17½ shares of Class "A" stock. (L) Rights to purchase 7 shs. Class "A," 3½ shs. "B" (v. t. c.), and 3½ shs. Common to 2-2-34 @ $577.50 for the unit. (N) Not callable until 1948. † On basis of 1929 earnings.

Who Owns the Railroads?— The Public

Recent Report to Congress Shows Passing of Family Ownership and the Rise of Holding Companies— Will the Latter Be Controlled by the I. C. C.?

By Pierce H. Fulton

"Who owns the railroads?" This is something everyone vitally interested in them has wanted to know, in some cases for at least 30 years, but more particularly since the springing up, in the last few years, of railroad holding companies, investment trusts, stock trading companies, foundations, educational boards, etc. No one has been able to give a convincing answer because the necessary official data were not available.

Thanks to the Committee on Interstate and Foreign Commerce of the House of Representatives at Washington, of which James S. Parker of New York is chairman, and his strikingly able corps of experts, under the direction of Dr. Walter M. W. Splawn, we now have, not only the answer, but all the information that any reasonable student of railroads could possibly ask for.

It is to be found in a "Report on Regulation of Stock Ownership in Railroads," three closely printed volumes of 1,742 pages, with numerous charts and maps, submitted to the House, February 20, 1931.

As the report will be available to only the merest handful of the great body of stockholders in American railroads, and in any case would require a vast amount of study to get a comprehensive grasp of the wide field which it covers with respect to railroad ownership for control, this publication is giving to its readers the salient features in the clearest and most concise form possible, having especially in mind the probable effect upon the market for railroad shares of the disclosures relative to ownership of railroad stocks, and the outlook for railroad holding companies.

Passing of Family Control

In the earlier part of the 30-year period to which we have referred, it was pretty generally assumed that a few wealthy individuals and their bankers owned control of the American railroads. It was true that railroad ownership and control were in far fewer hands then than now, or in recent years. For instance, when the Northern Securities Co., which for about three years only, held control of Great Northern and Northern Pacific, was required by a decision of the U. S. Supreme Court to divest itself of the shares of those two companies, it was necessary to hand back less than 2,000 certificates in the case of each company. Most of them were for thousands of shares, of which James J. Hill and a few close business associates were the principal owners. In the unscrambling of the Great Northern Pacific Railway Co., which is going on right now, it is found necessary to produce 35,000 or more certificates for the stockholders of each company. By far the greater number of these certificates represent small amounts. This single illustration gives a vivid idea of the wide distribution of railroad shares, as well as the increase in the number, that has taken place in about a quarter of a century.

With the tremendous increase in the wealth of a few prominent families, it had been rather popularly assumed that they owned control of at least the railroads with which their names have been closely associated for years, in most instances, and also that they and their bankers were in virtual control of pretty much all the important railroads of the United States.

With the coming, a few years ago, of the railroad holding company, investment trust, stock trading company, educational board and foundation, established by men of great wealth, it was assumed that these organizations held an extremely important part of the total volume of railroad stocks outstanding. For years it has been claimed that the leading financial institutions in Wall Street at least held control of the railroads, if they actually did not own enough stock to represent legal control.

All these illusions are dispelled in the report of Representative Parker's committee. To the momentous question, "Who owns the railroads?", so many times propounded, it may be stated on the authority of that document, that it is the American people. As of December 31, 1929, 160 Class I railroads had 840,000 stockholders.

Chairman Parker said in presenting his report to Congress, "The ownership of American railway stocks is in the hands of a multitude of American citizens. Nearly a million people own the voting stock of our railroads."

As for ownership of voting control by families the data in the report are especially striking. For instance, the Vanderbilts had been spoken of for 50 years—ever since the original Commodore Vanderbilt, with his oft-quoted "public be damned" policy—as owning control of New York Central. As of December 31, 1929, all the surviving members of that family together held only 268,663 shares, 4.78% of the total voting power. They owned 16.94% of Pittsburgh & Lake Erie and 7.58% of Lackawanna.

George F. Baker, "Dean of Wall Street Bankers," and one of the richest men in the world, together with his son George F., Jr., held only 4.09% of the voting control of New York Central and 10.27% of Lackawanna.

While Arthur Curtiss James, reported to be the largest single owner of railroad stocks in this or any other country, together with his wife, owned 349,790 shares of Western Pacific, 60.89% of the outstanding stock, they held only 36.60% of the voting power. Although they owned over 52,000 shares of both Northern Pacific and Great Northern and 51,000 shares of Southern Pacific, in no case did the vast number of shares represent more than 2.13% of the voting power of any one of the companies.

The Harriman family owned 36,340 shares of Union Pacific, mostly handed down by the late E. H. Harriman, but it was only 1.13% of the total voting power. In the case of no other stock listed for that family did the ownership stand for as much as 2%, except in Texas & Pacific, where it was 3.27%.

Edward S. Harkness, who has given millions upon millions to Yale, Harvard and to many other institutions, and who owned 67,000 shares of New York Central alone, did not hold as much as 2% of the total voting power in the stocks of any one of the 7 railroads listed under his name, except in "Nickel Plate," where it was 2.50% and in Pittsburgh & Lake Erie, 2.01%.

The Widener family of Philadelphia of which P. A. B. Widener, traction magnate in that city, New York and Newark, N. J., was the head 25 years ago, owned 4.16% of the voting power of Reading and 2.11% of Jersey Central. In no other case did its holdings reach 1%.

John D. Rockefeller, father and son, and the Gould family, were not even included in the list of notably prominent and extremely wealthy families as owning large amounts of railroad stocks. The Rockefellers never were successful in their ownership of their rail shares and sold most of them some years ago and put their money again in their first love, those of the various Standard Oil companies. The Goulds have either sold or allowed to slip away the railroad stocks left by the original Jay Gould, railroad wrecker, which constituted a veritable empire of railroads.

J. P. Morgan & Co. long had been regarded as the leading railroad bankers of the world. Mr. Parker's report shows that that firm headed the list of prominent financial institutions in New York City, closely connected with the railroads, and held $112,093,737 (par value) of railroad stocks. But it was only 1.38% of the total voting power of the outstanding shares of the railroads involved. Altogether, 5 large banks and trust companies and 8 prominent investment banking firms in this city held only 5.08% of that power.

In view of the fore-

(*Please turn to page* 652)

Railroad Holding of Family Groups

Vanderbilt Family

Shares		Pc. of Issue	Pc. of Voting Power
238,663	N. Y. Central	4.78	4.78
146,235	Pitts. & Lake Erie	16.94	16.94
34,358	Ch. & N. W. Pfd.	15.34	1.90
28,000	Ch. & N. W. Com.	1.77	1.55
128,000	D. L. & W.	16.94	16.94
10,000	U. P. Com.	0.45	0.31
4,268	U. P. Pfd.	0.43	0.13

Baker Family

Shares		Pc. of Issue	Pc. of Voting Power
173,400	D. L. & W.	10.27	10.27
204,363	N. Y. C.	4.09	4.09
21,000	Nor. Pac.	0.85	0.85
50,000	Erie Com.	3.31	1.75
10,000	B. & O.	0.39	0.32
5,277	So. Ry. Com.	0.41	0.28

Harriman Family

Shares		Pc. of Issue	Pc. of Voting Power
36,340	U. P. Com.	1.63	1.13
23,128	U. P. Pfd.	2.32	0.72
15,152	So. Ry. Com.	1.17	0.80
20,400	Tex. & Pac. Com.	5.27	3.27

In Holding Company Portfolios

As of April 30, 1930

Alleghany Corporation

Shares		Avg. per Share	Investment
1,276,400	Ches. Corp. Com.	$54.261	$69,258,710
106,100	Kan. City So. Com.	95.189	10,099,515
215,000	Erie Com.	60.00	12,900,000
547,800	Mo. Pac. Com.	80.873	44,302,153
233,500	Mo. Pac. Pfd.	136.055	31,768,850
167,100	Nic. Pl. Com.	130.213	21,758,560
45,900	Pere Marq. Com.	159.872	7,338,125
495,340	Pittston Co.	20.725	10,265,941
	Total investment in all stocks		$216,030,944

Chesapeake Corporation

Shares		Avg. per Share	Investment
807,935	C. & O. Com.	$164.805	$133,152,522
288	C. & O. Pfd.	229.57	66,118
27,500	Pere Marq. Com.	173.962	4,783,959
	Total investment in all companies		$138,002,599

Pennroad Corporation

Shares		Cost	Pc. of Control
168,283	Bost. & Me.	$20,550,131	18
44,722	Det. & Irt. R. R.	4,472,200	100
171,576	Det., Tol. & Ir.	12,722,295	99
100,000	New Haven	12,278,309	5
222,930	Pitts. & W. Va.	37,398,100	73
120,000	Nat. Freight	2,400,000	100

Total shares 1,250,358, with aggregate cost of $113,607,057.

Pennsylvania Co.

Shares		Book Value	Pc. of Control
365,030	L. V. Com.	$43,551,208	30
357,000	New Haven Com.	44,625,000	22
312,900	Wab. Pfd. A	33,083,354	49
362,900	Wab. Com.	29,958,195	
22,500	Det. Un. Dep.	2,250,000	100

Total shares owned 1,462,185, with book value of $156,268,088.

COLUMBIA GAS & ELECTRIC CORP.

Mid-Western Utility Goes East

Huge Natural Gas Markets in Thickly Populated and Highly Industrialized Eastern Seaboard Region Induce System to Extend Eastward

By FRANCIS C. FULLERTON

A BID to develop a super-gas project in the highly industrialized eastern part of the country is being made by the Columbia Gas & Electric Corp. The expansion program as revealed through acquisitions and construction in recent years as yet indicates only the skeleton of a much vaster project which will probably be the eventual outcome of the present expansion policy. And tending to support this viewpoint is the affiliation effected last year with four of the largest and most important utility systems in this territory through the United Corp. which acquired a large block of the common shares of Columbia Gas & Electric Corp. The announcement in recent weeks that natural gas service has been inaugurated through the system's newly constructed pipe line to Washington, D. C., and a short time previously to York, Pa., heralds the new era in the affairs of the company, and this year similar service to other important cities in the eastern territory is expected.

Columbia Gas & Electric Corp. has long been engaged in the natural gas business, but until comparatively recently has confined its operations to an area in the proximity of the source of supply. The advent of high pressure steel pipe, however, has made it economically feasible to transport natural gas for long distances so that it has become profitable to exploit the product on a large commercial scale over a wide area. Because of Columbia Gas & Electric Corp.'s already established position in the eastern territory as well as the commanding position in most of the important producing fields in the northern Appalachian region which are available as a source of supply, the system is the most logical candidate to develop a network of pipe lines to supply the rich consuming markets in the highly industrialized territory of the East, not now receiving natural gas.

Reinforcing Natural Gas Reserves

The invasion of the eastern seaboard and the development of a super-gas project in this territory will of course involve the expenditure of large amounts of money, the returns on which will not be fully realized in the beginning. A drop in earning power in relation to capitalization, therefore, during this development period is not particularly significant because this is only temporary.

To fulfill the scope of super-gas, large investments are necessary in a network of pipe lines and in natural gas field reserves and the company is currently making these expenditures.

The large reserve gas fields already owned or controlled by the system were further augmented last year through the acquisition of additional acreage. At the close of 1929, the producing and reserve gas fields covered areas aggregating more than 5,900,000 acres in West Virginia, Kentucky, Ohio, Pennsylvania, and New York., or practically in all the important gas fields in the northern Appalachian region. Most of the company's acreage constitutes a reserve for future use to provide additional supplies as needed. At the end of 1929 only 14% of the total controlled acreage was producing the system's requirements at that time.

Extension of the system's interest in natural gas outside the eastern region was accomplished late in 1930 through the acquisition by an affiliate, Columbia Oil & Gasoline Corp., of practically a half interest in the Panhandle Eastern Pipe Line Co. This latter company has large gas reserves in the principal fields of Texas, Oklahoma and Kansas, and has engaged in the construction of a pipe line from Amarillo in the Panhandle field of Texas through Oklahoma, Kansas, Missouri, and Illinois to the Indiana state line which is

Five-Year Record of Columbia Gas & Electric Corp.

	Gross Revenues	Net After Taxes, Depreciation and Depletion	Net for Common Stock	Earned per Share Common
1930*	$96,129,808	$32,361,565	$22,869,743	$1.76
1929*	100,328,875	36,976,268	26,409,065	3.12
1929**	115,150,313	40,207,134	26,409,065	3.12
1928	107,195,658	36,806,578	23,497,864	2.79
1927	96,756,479	31,355,553	17,798,215	2.11
1926	92,119,615	32,177,206	10,759,818	2.77

* Excluding gross of Columbia Oil & Gas Corp., formed in 1930 to segregate oil and gasoline properties.

** Includes properties now owned by Columbia Oil & Gas Corp.

expected to be completed in the Spring of this year. Arrangements have been made for the purchase of substantial supply of natural gas from this pipe line by subsidiaries of Columbia Gas & Electric Corp. The system is thus afforded the great protection of added resources from the vast fields of the southwest as a supplemental source of supply for the ambitious expansion program being carried out.

In making available to the eastern seaboard territory its great natural gas resources, Columbia Gas & Electric Corp. has acquired a number of local distributing systems, but in most cases the gas will be sold wholesale to the gas distributing company already established there, or to large industrial enterprises. The local gas company generally mixes the natural gas with its own manufactured gas increasing thereby the heating value of the latter. Thus, the newly inaugurated natural gas service to Washington, D. C., involves wholesale contracts with the Washington Gas Light and the Georgetown Gas Light companies, who mix it with their own product and serve it to their customers.

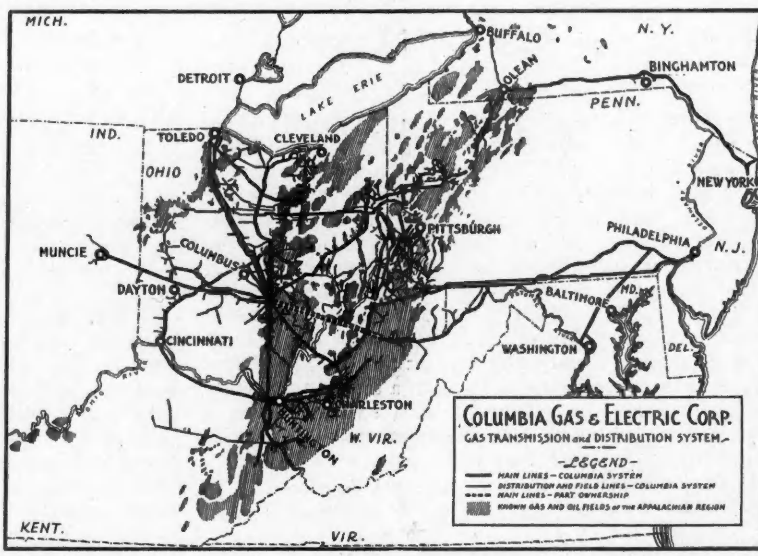
The accompanying map gives an idea of the future scope of the Columbia Gas & Electric system. Two lines now extend from the gas fields in the western part of Pennsylvania and West Virginia to the seaboard, one located in the southern part of Pennsylvania and reaching to Philadelphia and the other extends through New York State down through the northern part of New Jersey to Garfield. Most of this latter line was acquired in 1928, and although it was formerly used by the New York Transit Co. for the transportation of oil, the pipe line can readily be used for the transmission of gas and is now in use to Binghamton. It is probable that the line will be supplemented to increase capacity. A third line is planned, one section of which has already been completed, namely from southern Pennsylvania to Washington, D. C. This line when completed is to extend from the gas fields in Kentucky and West Virginia to the seaboard and will supplement the southern Pennsylvania lines. This new line will also supply the intervening territory in West Virginia, Virginia and Maryland.

Huge Market on Eastern Seaboard

A tremendous market exists in this highly industrialized and thickly populated region which the Columbia system is entering, and in the development of this market the affiliation through the United Corp. with the four big systems already operating in this territory, namely Consolidated Gas of New York, Public Service of New Jersey, United Gas Improvement including the Philadelphia Gas Works, and Niagara Hudson Power, will no doubt be utilized. These four systems alone at the end of 1929 were serving more than 3,000,000 customers with 110,934,000,000 cubic feet of gas which produced a total revenue in excess of $130,000,000. With special industrial rates for large users and lower rates to domestic customers as a result of a natural and manufactured gas mixture permitting widespread use for house and water heating purposes, both the volume and the revenues should increase. Natural gas or a mixture will supplant other fuels as its ideal qualities are increasingly recognized.

Aside from the gas operations of the Columbia system which now overshadow all of its other activities, the electric business contributes an important part of the revenues. In 1929, for instance, while 61½% of the gross was derived from gas, nearly 24% was derived from the electric department. The two chief cities supplied with electric service are Cincinnati and Dayton, Ohio and many of the communities between and in the territory adjacent to these two cities are also served.

Revenues of the system will only gradually reflect the expansion program undertaken, but during 1931 this should make itself increasingly manifest. During 1930, however, this factor was practically negligent. The gross earnings of the system for this latter year were $96,129,808 a decline of 4.2% from 1929 when $100,328,875 was reported. These figures exclude the earnings of the properties now comprising the Columbia Oil & Gasoline Corp. which were segregated from the system in the early part of 1930. Expenses and taxes increased slightly so that operating income (after depreciation and depletion) were down almost 11½% to $32,361,565. The balance for the common stock after all charges amounted to $22,869,743 against $26,409,665 in 1929 or a decline of 13.4%. The earnings per share on the common stock in the respective periods was $1.76 on 11,684,220 no par shares in 1930 against $3.12 on 8,477,224 shares in 1929.



The decrease in revenues in 1930 were of course attributable to the severe decline in business, particularly as a considerable part of the earnings is derived from sales of services to manufacturing operations. The sale of electricity to domestic customers actually increased 10% over 1929, and domestic gas sales held their own. Industrial electric sales, on the other hand, ran below 1929, as did the sales of gas also. It is perhaps significant that while gross revenues dropped, the operating expenses and taxes actually increased slightly, so that it is very likely when general business activity again recovers, all of the decrease can be regained plus a considerable amount of additional business without increasing expenses. This, of course, will have a very important bearing on the net earnings and the earnings per share on the common stock.

Earnings last year were not sufficient to cover the $2 dividends paid out on the common stock, but the fact that this has not been reduced indicates the management's confidence with respect to

(Please turn to page 650)

Among the Low-Priced Shares

Some Sound Issues, Thoroughly Deflated, Are Now Selling at Figures which Offer the Opportunity to Secure Ample Diversification and Hold Promise of Subsequent Price Appreciation

By J. C. CLIFFORD

NOT so very long ago during the reign of the "blue chip," when rich men's stocks were bought by bootblacks and elevator boys, low-priced issues were held in general scorn and looked upon with universal suspicion. It was commonly thought during this period, if a stock could be bought for less than a few hundred dollars a share, that this was *prima facie* evidence of unsoundness. Times, however, change. The low-priced field has now been widened by the addition of many "chips," which were once bluer than the Mediterranean is supposed to be and no prospective buyer of common stocks need feel either unduly alarmed or ashamed if he scans it for profitable investment mediums. No better evidence of the improvement in status of the low-priced stock can be found than the fact that reputable brokerage firms are now willing to carry on margin for their clients certain issues selling for less than $10 per share. This development has, of course, a corollary that many banks are also willing to lend money on such issues, as it is hardly conceivable that brokers would be either willing or able to tie up their own capital in such a manner.

Advantages of Low-Priced Shares

Low-priced stocks have certain practical advantages over the high-priced issues, many of which advantages are of particular significance during the present period of general deflation. They may be bought by persons of moderate means, who are enabled to diversify their investments in a manner otherwise impossible. Often a full hundred shares may be bought and if this be done, the additional charges for trading in "odd lots" is avoided while, other things being equal, a hundred-share certificate makes better collateral than one representing a smaller number. Then low-priced shares, due to the fact that they are usually well distributed, have an excellent market, and tend to a small spread between the "bid and asked," so that should it be necessary to sell hurriedly, this can be done easily and without that disappointment which exists when a similar transaction is carried out in a security having a wide spread between the selling price and the buying price.

Profit Prospects

Although not susceptible to proof, there exist considerable grounds for the belief that when a security sells at a low level it receives greater support perhaps than it justly deserves solely on account of its dollar cheapness. For this reason, in the event of a temporary general decline the purchaser of 100 shares of stock at $10 a share would probably show a smaller paper loss than the purchaser of 10 shares at $100 a share. Finally, one receives the impression from casual observation that a rise in price from $10 to $15 or from $20 to $30 a share is a much more common occurrence than a rise from $100 to $150 or from $200 to $300 a share—a 50% appreciation in all cases.

The advantages of the low-priced stock are about to receive a very practical test. A five-year fixed investment trust has recently been formed whose holdings are to be exclusively confined to listed stocks in the lower brackets. Shares in the trust will represent equities in twenty-five companies whose stocks have recently sold around $20 a share and it was stated by the sponsors to be their belief that the low-priced shares would show the most rapid initial percentage appreciation in a period of general recovery.

Necessary Discrimination

Despite the strong case which may be built up for low-priced stocks against those selling at high levels, it must not be thought that this in itself represents a valid reason for buying such issues. Investments in the low-priced field must, of course, be selected with the same care as that given to any security purchase, be it a bond, preferred stock or common stock. The present low-priced field draws its extensive membership from three sources. There are those which are selling for little because that is all they are worth —or will be worth, for that matter— and like the poor this group will be with us always. Then there are those whose humble station may be attributed to the fact that they have been "split up" so that they now represent no more than a fractional part of a high-priced unit.

It appears impossible, however, to discover an example in this group where the general stock market decline has not proved of considerable assistance in the matter of the low price. Finally, there is that group which has just frankly seen better days. Their present condition is possibly due to misplaced enthusiasm on the part of the management, which resulted in over-expansion and to correct which a period of retrenchment and consolidation is necessary. They may be victims of the general depression through no fault of their own. It may be that they were

solely and simply overboomed during the years 1928 and 1929 and are only now seeking levels commensurate with their value and prospects. Or possibly their present low price is due to a combination of all these circumstances. Whatever the cause, the fact remains that in the low-priced field there are to be found many stocks which have been thoroughly deflated and in which definite merit is clearly discernible.

Adams Express

In the common stock of Adams Express Co. there is an instance of an exceedingly high-priced issue now become a member of the low-priced field due to a "split-up" accentuated by the general decline in securities. In 1929 some paid as much as $750 a share for Adams Express while now, after a ten-for-one exchange, a similar interest can be bought for about $22. The present low price brings an equity within reach of many for whom it would have been out of the question but a short time ago. Adams Express, as its name implies, was once engaged in the express business, although it now functions solely as an investment trust of the general management type. As of December 31, 1930, the company reported that the asset value of its common stock, based upon the market prices as of that day, was $16.40 per share, which, it is calculated, had risen to some $20 a share by the end of January. The present price of the common stock then is probably approximately equal to the actual market value of the assets behind it and the purchaser at these prices is paying little or nothing for the advantages of great diversification and skilled management. The yield afforded is about 7% on the regular dividend of $1.60 per annum.

International Nickel Co. of Canada, Ltd., and Commercial Solvents Corp., provide two other examples where an increase in the number of shares outstanding has been an important factor contributing to their present low price. For $16, the price of a share of International Nickel, an interest in a virtual monopoly may be purchased. The company controls 92% of the world's nickel production, which doubtless affords the reason for the extreme price stability of the metal. Nickel which was once used almost solely for armaments has had a tremendously expanded industrial demand since the end of the World War and there now exist all kinds of corrosion resisting metals having a large nickel content. Despite the fact that International Nickel recently reduced its dividend rate from $1 a year to $0.60 and that estimated earnings for 1930 will barely cover even the lower rate, the company is unique with undoubted merit as a long term speculative investment. In the case of Commercial Solvents the common stock was "split" ten-for-one in the Fall of 1929, having sold for as much as $700 a share and even though the present stock, commanding a price of about $18 a share, is really but the tenth part of a high-priced unit, the issue is obviously well deflated. The company which was originally engaged almost exclusively in the manufacture of "butanol," a solvent for lacquers, has steadily widened the range of its activities and is now assuming the characteristics of a diversified "chemical" rather than a "specialty." Earnings for the year 1930 were equal to $1.07 per share of common stock which compares with $1.50 per share for the year 1929. The present dividend rate is $1 per share annually.

Utility Holding Company

Among those issues whose low price cannot be attributed to increases in capitalization there are many which, although they may be suffering temporary embarrassments, undoubtedly possess both intrinsic value and good future prospects. United Corp., for example, has built for itself a predominent position in any future Eastern super power development, regardless of business depression or stock market slump. The company was formed in the beginning of 1929 and is generally supposed to be dominated by the house of Morgan. It has extensive holdings in United Gas Improvement Co., Public Service of New Jersey, Niagara Hudson Power, Commonwealth & Southern, and others. Net income for 1930 amounted to $16,080,000, after interest, expenses and Federal Taxes, which after dividends on the preferred stock equalled $0.78 per share on 12,360,531 shares of common stock. Dividends of $0.50 per share were paid last year. The common stock of United Corp. currently selling around $23 per share presents an interesting low-priced speculative opportunity but should an even lower-priced commitment be desired it is obtainable through purchase of the company's warrants, which are listed on the New York Curb Exchange. These options, now selling for about $10 each, evidence the perpetual right to purchase one share of common stock from the company at $27.50.

For those desiring a low-priced speculation in the cigarette industry there is P. Lorillard Co. whose "Old Gold" advertisements must be familiar to almost everyone. Earnings for 1930 equalled $1.47 per share of common stock, an excellent increase over the $0.28 per share reported for 1929. Even for an interest in banking, one need not go outside the low-priced listed stock field. Marine Midland Corp., a bank holding company, is available around $22 a share. Net earnings for 1930 were equal to $1.51 a share and the company reported that during this time deposits of the constituent banks and trust companies increased from $430,153,000 to $442,130,000. A dividend at the rate of $1.20 per share annually is currently maintained on the common stock.

Through the common stock of

(*Please turn to page 650*)

Among the Low Priced Shares

Company	Per Share Earnings 1929	Per Share Earnings 1930	Dividend	Current Price	Yield %
Adams Express	29.94L	16.40L	1.60	22	7.3
Commercial Solvents	1.50	1.07	1.00	20	5.0
Commonwealth & Southern	NF	0.61A	0.60	10	6.0
General Electric "Special"	15.67	NF	0.60	12	5.0
International Nickel	1.11 9 mos.	0.58 9 mos.	0.60	18	3.3
Lorillard	0.28	1.47	...	17	..
Marine Midland	NF	1.51	1.20	22	5.4
Monsanto Chemical	NF	1.91 9 mos.	1.25	24	5.1
Remington Rand	2.48 9 mos.	1.27 9 mos.	1.60	18	9.0
Shattuck	2.60	1.75E	1.00*	26	3.8
Standard Brands	1.37	1.22	1.20	19	6.3
United Corp.	0.49	0.78	0.75	25	3.0

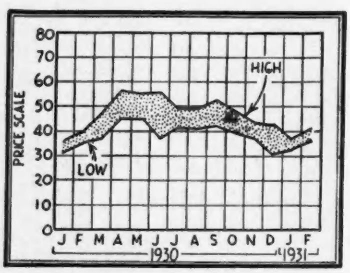
* Plus extras. L—Liquidating value Dec. 31. A—Year ended Nov. 30, 1930. NF—Not available. E—Estimated.

Merchandising Stocks in Strong Position

The series of two articles which begins on page 605 gives a graphic and authoritative picture of what is going on in the various divisions of the retail industry. It is indicative of a trend toward a more favorable profit position among the most skillfully managed companies. In order to translate this into practical investment terms we have selected the companies for analytical discussion which we believe to be in the most favorable position.

Best & Co., Inc.

Current Price	Div.	Yield
40	$2.00	5%



ORGANIZED in July, 1924, under the laws of New York as successor to an old-established partnership dating from 1879, Best & Co., Inc., specializes in the retail of women's and children's apparel and has acquired an enviable reputation for good, sound quality merchandise among its well-to-do clientele. The company's main store, to which three floors were added in 1928, is located on Fifth Avenue in the heart of the New York shopping district, while resort shops are operated at Palm Beach, Florida, and Southampton, Long Island. In addition, the company carrying out a recently inaugurated expansion program has commenced to establish branches throughout the fashionable metropolitan suburbs. The basis for this expansion was the belief that the public, given the opportunity, would much prefer to shop in their own home towns rather than face the trying traffic conditions existent in New York City and that even if the business actually done by the suburban stores failed to reach expectations, they would have nevertheless an inestimable advertising value. That the management's contentions have been well founded, is amply borne out by the results already attained by such branches in Garden City, Long Island and Mamaroneck, Westchester County, N. Y., despite the fact that Best & Co. was unfortunate in commencing its expansion simultaneously with the security market debacle and the beginning of a world-wide general depression. Others are planned, but it is a characteristic of the company's management that before undertaking any expansion a thorough survey shall be made and all the possibilities and contingencies carefully weighed. No new financing has been undertaken to offset the extraordinary expenses incidental to the company's growth.

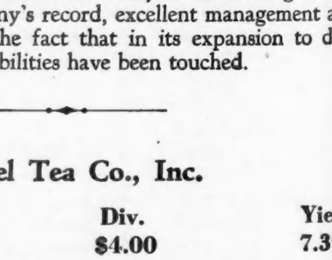
The capitalization of Best & Co., Inc., consists of 2,261 shares of 6% cumulative preferred stock of $100 par value, follow by 300,000 shares of no par common stock. The preferred stock, all of which is held by employees, is peculiar insofar as dividends up to 8% annually may be declared at the discretion of the directors. There is no funded debt but the company has a mortgage of $950,000 which falls due on May 4 of this year on its property at 374/380 Fifth Avenue.

Net sales have shown a steady increase since 1923 even including last year which was a notably poor one for retailers generally. A similar steady upward climb in net income has been reported with the sole exception of the fiscal year ending January 31, 1931, when net was slightly under the record-breaking previous twelve months. Actual figures for these two periods are $1,265,438 this year and $1,279,261 last year, which, after dividends on the preferred stock, equal to $4.15 and $4.20 per share of common stock respectively. It may be stated in passing that the company's margin of profit compares very favorably indeed with that of other large stores of a similar character.

The present dividend rate on the common stock of Best & Co. is $2 per share per annum. This is equivalent to $4 on the old stock—which paid $3—prior to the two for one "split" in 1929. At present prices then of $40 per share the yield is 5%, a return which may be taken as generous in view of the company's record, excellent management and in consideration of the fact that in its expansion to date only the surface possibilities have been touched.

Jewel Tea Co., Inc.

Current Price	Div.	Yield
55	$4.00	7.3%



THE idea of selling merchandise from wagons direct to the householder is no new one but it remained for Jewel Tea Co. to develop the business from a casual, slipshod, individual enterprise into a highly organized and profitable branch of industry. The company is mainly engaged in the retail distribution of groceries,

many of which are processed in its own plants and sold under its own trade name "Jewel." The company's trucks, modern and well-kept, have individual routes and call upon their customers every two weeks to deliver the merchandise bought on the previous visit and to take orders for that to be delivered on the next. The company operates on the "premium" system but in a characteristically novel manner. The premiums are all articles of good quality, in many cases nationally advertised house furnishings. These are advanced to the customer before anything is paid. There is no saving of coupons and the cost of the premium is cancelled by a small credit allowed the customer on each sale of groceries.

Jewel Tea Co. has pursued but a moderate expansion program, evidently considering that it would be more profitable to cultivate its business intensively rather than extensively. There were 994 sales routes operated at the end of 1922 while the number operated at the end of 1930 had increased to only 1,280. Average weekly sales per route, however, from a low point of $198 in 1922 reached a high of nearly $278 in 1928, although the general depression of last year caused a decline to $240. About three-quarters of a million customers are served.

Although the company's growth was very considerable subsequent to its formation in 1899 with a capital of only $700, difficulties attributable to the war were such as to necessitate almost an entirely fresh start in 1918. Perhaps the best way to illustrate the complete rejuvenation which has taken place, is to say that the company's 7% cumulative preferred stock which sold below $8 a share in 1920 was redeemed in the early part of 1929 at $125 a share with the dividend arrears, at one time amounting to $36.75, completely liquidated in cash.

Last year the company moved its headquarters from Chicago to Barrington, about 32 miles to the northwest, where a new plant had been erected and around which there is to be a residential subdivision for employees.

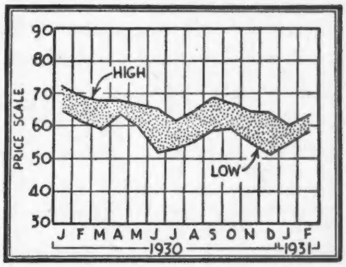
Mainly due to the lower selling prices for many articles, Jewel Tea reported a smaller sales volume for 1930 than was shown in the previous year—the first serious interruption in sales growth since 1922. Despite the lower sales volume, however, net income of $1,705,000 set a new high record. This was equal to $6.09 a share on 280,000 shares of no par common stock, the company's sole capitalization compared with $6.04 a share for the previous year. It is evident from these figures that the company has benefited from a wider profit margin induced by falling prices, although it is understood that general operating economies have also been effected.

Dividend policies are generous. In 1930, in addition to the regular dividend of $3 the company declared two extras of $1 each, making the total disbursements for the year $5 a share. Now, with a quarterly dividend of $1 declared payable April 15 the regular annual rate has been raised to $4 a share, which at current prices of about $55 a share affords a yield of well over 7%. In view of the fact that the management of Jewel Tea Co. has twice demonstrated its ability to cope successfully with general depression, the highness of this yield would appear to represent pessimism unwarranted by the company's record.

F. W. Woolworth Co.

Current Price	Div.	Yield
63	$2.40	3.8%

AS the first of the chain stores and the originator of the immensely profitable "5 and 10" idea, F. W. Woolworth Co. has a certain individual distinction which no imitator has yet quite succeeded in duplicating. The enterprise from its inception as a kind of "glorified bargain counter" some fifty odd years ago has almost attained the status of a national institution patronized by rich and poor alike. Expansion has been continuous and the present company which was incorporated under the laws of New York in the Autumn of 1911 has succeeded in reporting increased sales in every year of its existence with the sole exception of the generally disastrous 1930. Gross sales of domestic and Canadian subsidiaries totaled but $60,558,000 in 1912, whereas they amounted to $303,047,000 and $289,289,000 in 1929 and 1930 respectively. This phenomenal growth has been financed entirely from earnings. Never once has the company offered securities to the public, neither has it ever raised additional capital from its stockholders by means of "rights."



As of December 31, last, F. W. Woolworth operated 1881 stores in the United States, Canada and Cuba, an increase of 56 during the year. This increase was the smallest in a number of years and compares with 100 new outlets during 1929, 144 in 1928 and with an annual average increase over the last five years of slightly more than 91 new stores. At the end of last year there were also 428 Woolworth stores in England and 60 in Germany.

Despite the decline of 4½% in the parent company's sales during 1930, net income of $34,736,000 was but slightly more than 2½% under that of 1929, indicating that the general decline in commodity prices was being reflected in a wider profit margin. Operating economies assisted by the slower expansion program must also have tended to sustain net income. On the 9,750,000 shares of $10 par common stock outstanding 1930 earnings were equal to $3.56 per share against $3.66 per share reported for 1929. The company has neither funded debt nor preferred stock outstanding, although purchase money mortgages total $3,438,000.

The 1930 annual report as usual indicated an exceedingly strong position. Current assets totaled $55,673,000 while current liabilities, including a reserve for Federal taxes of $2,700,000, amounted to only $3,844,000. Surplus as of the end of the year stood at over $72,000,000, an increase of nearly $11,000,000 for the year.

Although the common stock of F. W. Woolworth Co. at present prices of

Merchandising Stocks in a Favorable Position

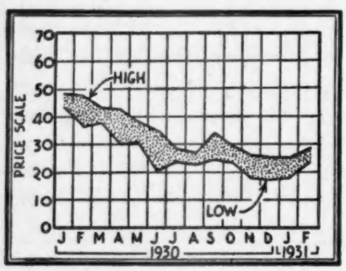
Company	Per Share Earning, 1929	Per Share Earning, 1930	Current Price	Dividend	Yield %
Best & Co.	4.20	4.15	40	2.00	5.0
Jewel Tea	6.04	6.09	55	4.00	7.3
Kroger Grocery	3.37	1.15	27	1.00	3.7
Macy (R. H.) & Co.	6.70†	5.00e	98	2.00*	2.0
Sears-Roebuck	6.62	3.01	57	2.50‡	4.4
Woolworth	3.66	3.56	63	2.40	3.8

† Fiscal year ended Feb. 1, 1930. e Estimated. ‡ Plus extras in stock.
* Plus extras in stock and cash.

about $63 per share yields less than 4% on the annual dividend of $2.40 per share and despite the fact that the tendency to slower growth is distinctly evidenced, the company's record and impregnable financial position make it one of the most solid of our domestic common stocks. The present year commenced auspiciously with sales for January some 4½% more than the corresponding previous month, a fairly high base as it was not until May of last year that the company really began to feel the effects of the general depression. Over 50% of the increase was due to larger sales by stores operating last year under identical conditions and the president pointed out that this indicated a marked improvement in the trend of business.

Kroger Grocery & Baking Co.

Current Price	Div.	Yield
27	$1.00	3.8%



THE year 1930 was distinctly one of re-adjustment for Kroger Grocery & Baking Co., but the report for the full year indicated that the company has gone through this period in excellent fashion. Previous to this a policy of rapid expansion was undertaken, which while it greatly increased the number of units and the gross sales of the organization, nevertheless exposed some weak points which became more pronounced as the period of business depression became more intense. New management was installed who immediately set to work to strengthen the company through the elimination of the weaknesses.

The 1930 volume of sales for Kroger (January 1, 1930, to January 3, 1931) amounted to $267,094,345 against $286,611,214 in 1929 but the decrease was due almost entirely to the smaller number of stores in operation. On January 3, 1931, there were 5,165 stores in the system or 410 less than at the end of 1929. However, the dollar volume of sales per store, approximately $51,700, was almost the same for both periods but if allowance is made for the downward trend in prices in 1931, then it is evident that the actual or tonnage volume of sales increased. The net profit after expenses, taxes and depreciation was $2,168,247 or $1.15 a share on the 1,813,486 no par shares of common stock outstanding at the end of the period which compares with $5,919,096 the year before equivalent to $3.37 on 1,725,726 common shares.

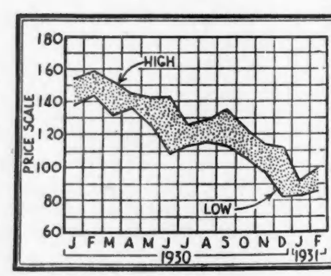
Kroger is the second largest grocery chain in the country, operating in 16 states in the Middle West. A large part of the company's expansion in recent years has been through the acquisition of chains and stores already established, and in following out this policy the company in many cases experienced difficulty in bringing the newly acquired properties in line especially where the standards were considerably lower than its own. Difficulties of this nature are only gradually overcome through the installation of its own methods and in training the personnel. Unprofitable units in a number of instances were closed. The coordination of units has not been completed but the management is working towards this end and results will probably appear in future earnings reports.

The establishment of combination food markets handling meats and produce in addition to groceries in place of the smaller units handling only the latter is rapidly progressing. About half of the Kroger units now have meat departments, and most stores handle produce. Volume of business can be considerably increased without correspondingly increasing the expenses, and therefore resulting in greater profits.

The company as of January 3, 1931, showed a satisfactory financial position, with current assets consisting of cash, accounts receivable, and merchandise standing at $27,993,050 while quick liabilities stood at $9,178,598 indicating working capital of $18,814,452 and a ratio of current assets to current liabilities of 3.3 to 1. With reference to dividends, the management has adopted a conservative attitude paying currently at the rate of $1 per annum and abolishing the stock dividends payments previously in vogue. At the recent price of 27, the stock yields no more than 3.8%, and while this is admittedly not an attractive return on an investment it is in some measure offset by the earning prospects of the company, which, in view of the new policy of intensive rather than extensive development afford the stock profit possibilities which should be materially enhanced as general conditions improve.

R. H. Macy & Co.

Current Price	Dividend	Yield
98	$2.00 + 4% stock	6%



THE merchandising policies of R. H. Macy & Co. are such that during a period of business depression there is an unmistakable tendency for shoppers to patronize its business even more than before because of a keener buying sense induced by hard times. While no official report was as yet available at the time of this writing, the preliminary estimates for the year ended January 31, 1931, will probably show a small gain in dollar volume over the previous fiscal period and this despite the lower prices prevailing during the recent period.

Total sales for the 1931 fiscal period are estimated at slightly under the $100,000,000 mark, a new high record and compares with the previous high figure of $98,688,487 reported for the fiscal period ended February 1, 1930. These figures cover the Macy establishment in New York only and do not include the affiliated stores of L. Bamberger & Co. in Newark, N. J., La Salle & Koch in Toledo, Ohio, and the Davison-Paxon Co. in Atlanta, Ga.

The total also indicates chiefly the adaptability and the success of the Macy management in holding and getting even more business, although regarding net earnings nothing tangible is yet available. These probably will show a slight decline from last year. One reason for this is the declining prices which had to be met throughout the fiscal year. During the period, moreover, the company was engaged in the erection of a large addition to its New York store covering practically the entire remainder of the block where its store is located, and which will be completed early in 1931. This new addition is being financed out of current earnings, and in an expansion project of this sort extraordinary expenses are usually incurred which are charged against the profits. The steady growth of Macy's business

makes necessary the additional facilities because present volume taxes existing space to capacity.

Macy's pre-eminence among the world's great department stores is based largely on its policy of strictly cash sales, the widely advertised practice of under-selling competitors, and intensive efforts to develop and maintain a high standard of personnel. Its policy of lower prices than elsewhere is no doubt particularly responsible for its gains in volume during years of depression. In 1921, for instance, a year very similar to 1930 in that business was severely depressed, Macy registered a large increase in gross, although net dropped under that of the year before. In subsequent years, the company steadily continued its gains and there is no reason apparent now why it should not continue so into the future.

The total sales including its affiliated stores in the February 1, 1930, fiscal period amounted to $150,267,707. The net earnings, including proportion of profits or losses of affiliated stores, amounted to $9,366,324 equivalent to $6.70 a share on 1,304,010 shares of common stock then outstanding. In the 1929 fiscal period earnings amounted to $6.86 on 1,102,500 shares. R. H. Macy & Co. has no other capital obligation outstanding besides the common stock, although the wholly-owned affiliate, L. Bamberger & Co., has outstanding $5,700,000 mortgage bonds and as of February 1, 1930, 96,716 shares of 6½% preferred stock of $100 par value, redeemable at the rate of 3% annually.

Macy common stock, available at about 98, represents an attractive equity in a sound and well-managed merchandising company. The conservatism of the company is shown in its dividend policy—now distributing at the rate of $2 annually plus 4% in stock, the latter representing in part the earnings steadily plowed back into the properties.

Sears, Roebuck & Co.

Recent Price	Div.	Yield
58	$2.50 + 4% stock	8.3%

CONDUCTING the largest merchandising business in the country, Sears, Roebuck & Co. naturally felt the full effects of depressed business conditions during 1930, but to the credit of the management who are fully aware of the company's position during such a trying period, the sails were reefed accordingly and the company came through in a

(*Please turn to page 652*)

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1927	Earned $ per Share 1928	Earned $ per Share 1929	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.40	133.73	182.20	No	92	4.3
Union Pacific	4 (N)	39.85	46.32	49.48	No	86	4.7
Atchison, Top. & S. Fe	5 (N)	40.47	40.21	49.18	No	107	4.7
Baltimore & Ohio	4 (N)	38.44	49.44	48.87	No	80	5.0
Illinois Central Conv. A	6 (N)	54.07	66.28	70.98	115	108	5.6
Pere Marquette Prior	5 (C)	64.06	75.60	55.50	100	90	5.6
Colorado & Southern 2nd	4 (N)	53.76	45.46	37.72	No	68	5.9
N. Y., New Haven & Hart	7 (C)	22.05	34.40	45.47	115	119	5.9
Southern Railway	5 (N)	36.17	32.11	30.21	100	82	6.1
Kansas City Southern	4 (N)	9.04	14.01	16.02	No	62	6.5
Colorado & Southern 1st	4 (N)	57.76	49.45	41.72	No	62	6.5
N. Y., Chicago & St. Louis	6 (C)	20.31	17.68	20.49	110	88	6.8
Chic., Rock Island & Pac. (5% Cum.)	6 (C)	22.49	23.60	25.14	102	87	6.9

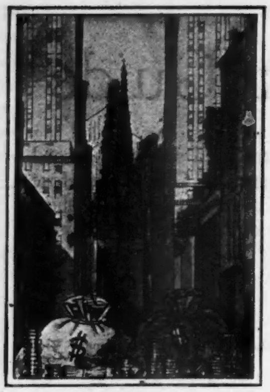
Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1927	Earned $ per Share 1928	Earned $ per Share 1929	Redeemable	Recent Price	Yield %
Public Service of New Jersey	8 (C)	§16.28	20.92	19.04	No	153	5.2
So. California Edison "B"	1½ (C)	....	3.28	3.61	28¾	28	5.4
North American Co	3 (C)	31.74	40.22	47.48	55	55	5.5
Pacific Gas & Elec. 1st	1½ (C)	3.49	4.24	4.57	No	27	5.6
Philadelphia Co.	3 (C)	28.06	21.75	27.58	No	54	5.6
Columbia Gas & Electric "A"	6 (C)	25.42	30.78	33.95	110	107	5.6
Amer. Lt. & Traction	1½ (C)	12.72	**17.20	**21.38	No	27	5.6
Elec. Bond & Share	6 (C)	....	18.43	29.11	110	105	5.7
North Amer. Edison	6 (C)	63.49	52.15	58.96	105	105	5.7
American Water Works & El.	6 (C)	24.30	31.05	39.11	110	102	5.9
National Pr. & Lt.	6 (C)	38.06	45.38	50.22	110	101	5.9
United Light & Power Conv.	6 (C)	....	....	15.42	105	102	5.9
United Corp.	3 (C)	....	....	4.66	55	50	6.0
Buffalo, Niagara & Eastern Pr.	1.6 (C)	3.88	4.52	5.19	26¼	26	6.2
Standard Gas & Electric	4 (C)	16.76	14.07	20.39	No	64	6.3
Engineers Publ. Serv. (w. w.)	5½ (C)	....	8.79	17.65	110	86	6.4
Electric Power & Light	7 (C)	16.21	17.00	19.03	110	108	6.5
Hudson & Man. R. R. Conv.	5 (N)	40.70	37.02	42.89	No	76	6.6
Federal Light & Traction	6 (C)	39.67	49.93	51.72	100	90	6.7

Industrials

	Div. Rate $ per Share	Earned $ per Share 1927	Earned $ per Share 1928	Earned $ per Share 1929	Redeemable	Recent Price	Yield %
du Pont (E. I.) de Nemours deb.	6 (C)	57.03	69.06	78.54	125	121	5.0
Hershey Conv.	†5 (C)	....	16.25	21.36	No	99	5.1
Aluminum Co. of Amer.	6 (C)	10.26	14.04	17.19	110	109	5.5
Bethlehem Steel Corp.	7 (C)	16.32	19.16	42.24	No	122	5.7
Stand. Brands, Inc., Cum. A.	7 (C)	125.34	123.40	129.41	120	121	5.8
Mathieson Alkali Works	7 (C)	74.06	84.50	93.91	No	119	5.9
Brown Shoe	7 (C)	44.12	85.27	44.11	120	118	5.9
Curtis Publishing	7 (C)	19,19	21.48	23.93	120	118	5.9
General Cigar	7 (C)	67.32	62.81	85.92	No	114	6.1
General Mills	6 (C)	....	18.70	18.86	115	98	6.1
Case (J. L.) Thresh. Mach.	7 (C)	38.43	32.59	35.06	No	115	6.1
Bucyrus-Erie	7 (C)	....	39.34	48.31	120	113	6.2
Commerc. Investm. Trust 1st.	6½ (C)	24.36	45.50	81.92	110	102	6.4
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	110	6.4
Deere & Co	1.40 (C)	5.15	5.90	9.64	No	21	6.7
Crucible Steel	7 (C)	22.47	22.54	32.65	No	104	6.7
American Sugar	7 (C)	7.97	14.60	15.40	No	103	6.8
Crown Cork & Seal	2.70 (C)	....	7.90	6.36	45	34	7.9

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. ** Adjusted to basis of present stock. † Regular rate, $4.



Market Indicators

For Profit

General American Tank Car

Despite the excellent showing made by General American Tank Car for the year 1930 when earnings were equal to $8.03 per common share against $8.33 for the previous year on a smaller number of shares, investors have been alarmed by increasing pipe line activity, particularly in the transportation of gasoline. The recent report, however, that the company is to handle the transportation problems of Swift & Co., making the shipment of food products the most important part of its business, will do much to allay these fears. General American Tank Car now operates, excluding the equipment used by the packing industry, about 40,000 cars of all types, from simple containers for milk and molasses to specially lined safety tanks for the shipping of corrosive chemicals and gases.

* * *

A New "Flivver" Eight?

For a year or more past there have existed persistent rumors, despite equally persistent official denials, that the Ford Motor Co. was to introduce an eight-cylinder car to retail under $1,000. These rumors, it is understood, are now no longer denied and, although it may be just that the company is tired of reiterating that the new "8" was merely the figment of some newspaperman's imagination, there appears to be increasingly sound grounds for believing that such a product will soon be seen on the road. Indeed, it is said that this would have already taken place but for the fact that "free-wheeling" was to be incorporated. Although Mr. Ford's efforts are always interesting from a purely engineering viewpoint and even the non-technical citizen can hardly escape them, it is with their effects upon the securities of other automobile manufacturers that we are here primarily interested. The public reception of the Model A was such as to leave no doubt of the tremendous "good-will" possessed by the Ford Co. and should the "8" become a fact there is every reason to suppose that it will be received with similar acclaim. This would have far reaching adverse effects, not only upon Chevrolet and others in its class, but upon manufacturers catering for a higher price field which have not heretofore been unfortunate enough to compete directly with the ubiquitous "Ford."

* * *

Corporate Earnings

Recent compilations showing corporate earnings in comparison with those of 1929, afford an interesting yardstick of the extent of the business depression last year. Although it must be admitted that the companies reporting are for the most part the strongest units in the country and for this reason might be expected to do better than the average "little fellow," it must be remembered that 1929 represents an abnormally high base. Latest compilations of earnings of industrial corporations average about 35% under 1929, railroads slightly more than this, while the public utilities were the star performers reporting net income but very slightly below the banner year. In regard to the latter class, however, the investor should note that the larger companies in the industry are expanding on an "exchange of shares" basis and that under these conditions net income will almost certainly show an increase, while per share earnings will almost as certainly decline.

* * *

Loose-Wiles Biscuit Co.

Loose-Wiles Biscuit Co. reports for the twelve months ended December 31, 1930, consolidated net income of $2,466,000 after interest, depreciation, Federal taxes but including full year earnings of recent acquisitions. This was equivalent after dividends on the 7% preferred stock to $4 per share on 548,303 shares of common stock, outstanding at the end of the year and compares with earnings of $4.58 a share for 1929. This showing may be considered satisfactory in view of the fact that the company has had some difficult inventory problems with which to contend and that it has been pursuing a moderately extensive expansion program, a condition which is almost always detrimental for a time to per share earnings. With the consolidation of recent acquisitions, it is expected that the many other fundamentally favorable factors under which the company is now operating will become of predominating importance and that the common stockholders will benefit in no inconsiderable manner.

* * *

Chesapeake Corp.

Despite the present agitation in Congress to the end that railroad holding companies shall be placed under the jurisdiction of the Interstate Commerce Commission and all that this implies in the way of restriction, an investment in Chesapeake Corp. has certain undeniable attractions. This company through which the Van Sweringen brothers control the Chesapeake & Ohio Railway and which in turn is controlled by the Alleghany Corp., enables an interest in C. & O. and other railroads to be obtained at a liberal discount from the price which would have to be paid should a corresponding purchase be made in the open market. Chesapeake Corp. as of December 31, 1930, owned 4,135,908 shares of Chesapeake & Ohio, 27,500 shares of Pere Marquette and 69,000 shares of Erie, giving a break-up value some $12 a share greater than the current market price of $50. Net income last year after interest and expenses was equivalent to $3.47 a share which compared with $2.61 a share shown for 1929. Dividends are being maintained at the rate of $3 per share per annum. Should a stronger investment be desired Chesapeake Corp. has outstanding an issue

The Stockholder and Income

of convertible collateral trust bonds which are listed on the New York Stock Exchange. These bonds bear a 5% coupon rate, are redeemable at $100 and are convertible at the option of the holder into the common stock of Chesapeake & Ohio Railway at a price which is now about $45 a share. Insofar as the security behind these bonds is principally common stock of the C. & O. Railway, it is interesting to note that this road was among the few to report almost sustained earning power for the year 1930 and that at current prices of about $45 a share there is a market value of roughly $2,500 at the back of each $1,000 bond.

* * *

The Government in Business

Insofar as it establishes a precedent for bureaucratical interference with that which until comparatively recent times was considered exclusively a field for private enterprise, the passage of the Muscle Shoals Bill by the Senate is of far-reaching importance to holders of public utility common stocks. The Bill calls for government operation of not only the power plants at Muscle Shoals but the transmission lines as well while should it not be possible to lease the nitrate plants the same agency will also enter the fertilizer business. The proponents of "government in business theory" might well take to heart recent statements of Edwin Gruhl of the North American Co. which show that the government has spent $56,000,000 on the Wilson Dam at Muscle Shoals and that the return from the sale of power during the period September, 1925, to June, 1929, was $2,500,000, which after deducting operating expenses of $750,000, shows a return of less than 1% per annum on the investment. In addition, $68,000,000 has been spent on nitrate plants which are now said to be completely obsolete. Although Muscle Shoals might have been justified as a war measure, its "white elephant" characteristics have been yearly more obvious and, regardless as to whether or not the President vetos this particular bill, the movement toward utility control is gaining momentum. It is then imperative that holders of public utility securities bestir themselves lest a blight similar to that suffered by the railroads fall upon their holdings.

* * *

The Tin Can Twins

The annual reports for the year 1930 of both leading producers of tin cans amply justify all the most favorable expectations. It had been feared that the drought throughout the United States and the consequent impairment of crops would unfavorably affect the earnings of these two companies. Such, however, was not the case. American Can Co. earned $8.08 per share on its common stock, against $8.02 for 1929, while Continental Can Co. earned $5.04 as compared to $5.02. Both companies, despite the general depression, continued to make heavy expenditures for new plant and plant improvement. American Can spent about $11,600,000 in this way during last year, while in the case of the smaller company the amount was about $4,570,000. In their remarks to stockholders, both companies struck a conservatively optimistic note, which in view of the depression proof characteristics actually displayed was in refreshing moderation.

* * *

Gold

The world is daily becoming more "gold conscious." Eminent economists solemnly state that there is to be a gold shortage in the near future—France, operating some peculiar system of its own which runs contrary to the accepted Central Bank Rate Theory, is attracting gold on a scale to cause voluble protest, particularly from London—The price of gold in relation to other commodities has risen and almost every country in the world is struggling desperately with "stabilization," although to no practical avail. It may well be under these conditions of a steadily increasing value for gold and the continually growing esteem in which the metal is held, that there exists a situation promising profit to the individual investor. Unfortunately, although gold mining is the most satisfactory of all occupations from some standpoints as there is no difficulty about the disposal of one's entire output without quibble and inventory problems are unknown, there appears to exist few companies which can be rated as other than extremely speculative. If this be recognized and the risks accepted, however, a diversified investment in this industry has all the outside fundamentals necessary to a satisfactory outcome. Among the gold mining companies whose stocks are listed on the New York Stock Exchange may be mentioned Alaska Juneau, Homestake and McIntyre Porcupine, while on the New York Curb Exchange there are Hollinger and Teck Hughes.

* * *

United Corp.

When United Corp. started out last year to acquire a substantial interest in Columbia Gas & Electric, the president stated that it was proposed to place the stock on a 75c dividend basis in 1931. With the declaration of a quarterly dividend of 18¾c payable April 1, United Corp. has fulfilled its implied promise and justified the high standing in which the company has always been held. From a low price of considerably under $15 a share the common stock of this company has now registered almost a 100% gain, but even at these levels it appears to represent an attractive long-term holding for those interested in "getting in on the ground floor" in any Eastern super-power development.

READERS' FORUM

An Argument Against "Stock For Long Term Investment"

An Interesting Rebuttal Based on an Investor's Personal Experience

By H. A. Fanckboner

MY own story of the collapse and my position in it is probably the same story that hundreds of others could tell. We all—these hundreds of others and I—bought stocks of all kinds, because they were sky-rocketing, and perhaps also because everybody else was doing it.

A great many comments have been received by this department from readers who have very definite views to express on both sides of the stock versus bond controversy. We have selected this article as an able presentation of the faction opposed to the principle of holding stocks for permanent investment. It represents the personal views of the author and should not be construed in the light of formal advices of this publication on the market outlook.

From the wreckage of that stock crash, I emerged considerably a sadder, if not then a wiser man. I had taken nothing on a margin, so I at least had my stock. I was very much like a shipwrecked refugee in a lifeboat. My stock was my lifeboat. Those who had been sold out because of lack of proper margin were simply dumped out without even a life preserver. But I had a boat, and my first conscious thought was, what am I going to do now? It has never been my nature to accept anything as a total loss. If I can't find anything else to make the account balance, I debit "Experience," and am fully satisfied with having gained something at least equal to, if not greater than, that which has been credited out.

I determined to make the most of the small craft in which I found myself. These self-same stocks were to provide the means of self-rescue. True, they had shrunk to a fraction of their former value, but so had all the others.

I had learned one great lesson, at least. That was, that to successfully speculate, one must know something about speculation! I had been content to accept the advice and opinions so freely expressed in the daily papers, in the broker's office, on the street, and what not. I had learned that this could not be depended upon. It was clear that the majority had been wrong—that a very few had been right. Come to think of it, those few were the really big fellows, too. They must have known something that I and the rest didn't know. I determined to find out all that could be found out about it!

I picked up several books on the subject, and also began reading some of the financial magazines. This narrative is evidence that I'm still reading them. What I have found out is the most simple, the most logical thing that one could hope for. It is the magic key to successful speculation, if one likes to think in terms of romance. Yet there is nothing magic about it. It is just good sense, founded upon actualities. From this clear-cut formation of understanding and knowledge, a well-defined plan for successful speculation has evolved itself. This plan is simply an outgrowth of my own thought, moving along the lines set forth in what I have been so fortunate as to find in the literature I have mentioned, and therefore, although the phraseology may be that of a statement of facts, let it be remembered that it represents only my own conclusions, and should be taken as such. However, I intend to follow them, myself.

Strangely enough, the general principles had suggested themselves to me at an early time when their application would have lifted me bodily out of the impending catastrophe. I had noticed that there were times when the newspapers printed stories of crashes in stock prices, and then other times when their front pages blazed out with accounts of great advances in prices paid on the great stock exchanges. It occurred to me that if I could sell my securities during one of these periods of high prices, I might buy them back during a slump, and thus either obtain more of them for my money, or pocket some profits.

Lack of real knowledge of the cyclical nature of the market, however, made me very hesitant. Furthermore, excellent counsel concerning long term investments had so impressed itself that I feared that if I sold these securities, I might never be able to buy them back again! Nevertheless, a few little warning notes which found their way into the newspapers, gave birth to a strong urge to take all my securities over to the broker's office and convert them into cash.

One of my good office associates scoffed at the move, and likewise, the customers' man also advised me to "put it back in my safety deposit box and forget it—it was good stuff, and would go much higher still." I did.

One issue that I was particularly anxious to sell never recovered the previous day's high, and was caught in the big crash, and finally landed at less than one-seventh of the price I might have realized that day!

I recount all this because therein may be found the first general principle of successful speculation, namely, *buy*

when stocks are cheap, and *sell* when they are dear.

It sounds simple, but in practice, it is difficult. It is difficult because of the psychological conditions which always prevail at the particular times when the proper transactions should be consummated.

When stocks should be bought, during periods of very low prices, business and employment are also at their worst. We have just passed through such a cycle. Confidence is then non-existant—nearly everyone is fearful of the future of business—few have the courage to invest their funds in business enterprises at such times, when there are frequent business failures, and plenty of industries operating at a loss.

Likewise, when stocks should be sold, during seasons of high prices, few have the courage to let go of them. At such times, stock quotations are constantly rising, sometimes to almost unbelievable heights. Prosperity seems to dominate the very atmosphere, and then, if ever, it seems, is the time to keep stocks in industries and business which are making such impressive records.

But as surely as spring and summer follow the winter, business recovery and prosperity will follow depression, and stock prices are usually the first to emerge from the preceding stagnation. And as surely as summer is succeeded by fall and winter, so are the gay, prosperous periods of commercial and industrial activity and booming stock prices, inevitably followed by declining business, and crashing of security values.

To play the game of speculation purely in the valleys of great depression, and on the hill-tops of great prosperity, is to lift it from the realm of gambling, and to place it in the category of good business. The dealer buys commodities at low prices, and sells them at higher prices. The manufacturer buys raw materials at low prices, converts them into finished products, and sells those same materials, in their converted form, at much higher prices. The farmer buys his seed or raises it, at low cost, and after a season, he reaps and sells the product of that seed, at a higher price than he paid for it. Likewise, the intelligent speculator buys securities when they are low in price, and sells them when, in due time, their value is enhanced.

But that is not the end of the story. Some stocks should not be purchased, even when they seem cheap; even when all stocks are at a low level. Intelligent speculation requires a careful selection of stocks purchased, regardless of price. The price a stock sold for during the last boom in prices, or even last week, cannot be taken as a measure of its worth.

No stock, regardless of its popularity, regardless of the favorable rumors about it, and regardless of its previous investigation of its worth. In reality, too much effort cannot be expended in this direction. Unfortunately, most people cannot spend the time necessary to thoroughly appraise a stock. For the small speculator, a reliable financial magazine will furnish plenty of dependable information concerning specific industries and their securities, and may be followed as a guide in the safe selection of stocks. These precautions are necessary because stocks and the industries they represent, do not stand still. They are constantly changing—improving or otherwise. One must watch them. And this suggests a word about "switching."

Some speculators and investors have a horror of "making paper losses real losses." That is to say, after a stock has declined in value, they shrink from selling at the low figure.

If one is caught in such a decline, and careful investigation proves that the future of the stock appears unfavorable for reasons that appear permanent or threatening, he should "switch" under ordinary circumstances, especially if the general price level is low. If the general level is high, his best move would be to sell out, bank the money, and wait for a general depression. This is logical for two reasons; first, if the general level is high, the value of this stock is sure to drop still farther in the inevitable general decline that must come sooner or later. He should, therefore, sell it before the general drop does come. He should bank his money for the same reason—to await the more favorable buying levels.

But if stocks are already generally low, he should immediately reinvest his funds, in order to benefit from the general rise that is sure to come. Reference is intended in all cases to the major swings of the market, which are also accompanied by similar great fluctuations in the general business situation.

To those who "hate to take a loss," let us put it this way. Wouldn't you be willing to trade impaired or worthless securities, for safe, desirable ones of equal market value? "Switching" is nothing more nor less than this—disregarding the small commission involved.

There is one more problem that may perplex the eager speculator, in his analysis of this plan of "buying cheap and selling dear." What is he to do with his funds after "selling out" and waiting for a favorable buying period?

The only answer I have ever seen to that is, put it in the bank and leave it there, and don't touch it until you have reached the bottom of the next depression, as nearly as can be judged.

Those who dislike to see their money idle may not like this idea, even in view of the great profits that must be theirs if they intelligently follow the proper method of buying and selling. There are many investors who can hardly tolerate idle money. The answer to their problem lies in good bonds.

Strangely enough on the surface, but naturally enough when analyzed, the price of bonds just about "opposes" the price of stocks. When stock prices are booming, and money is being withdrawn from every possible source to be poured into the speculative market, bonds go begging. The result: low prices! But when the price of stocks has dropped into the depths, and timid speculators have sold out fearing a financial collapse, "good, sound" investments are sought, and they turn to bonds. Result: high prices!

Thus it comes to pass that, when the time most suited to selling out common stocks arrives, the prices of bonds is at an attractive level. But it is well to wait until immediately after the stock crash before buying bonds, for their price also is likely to drop somewhat just at this time. Then invest your funds in sound bonds—at low prices. Then wait, and in the meantime, reap your coupon income.

When, at last, the bottom of the stock decline has been reached—well along toward the beginning of a revival—possibly eight, ten or twelve months later—sell out the bonds at high prices, and buy stocks

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Readers Ask for Information on Stock Exchange Practice

Functions of the Specialist Brought Up for Discussion

Readers' Forum Editor:

Your recent explanations and comments relative to financial terms in current use have been very interesting and helpful to me, and I am not exactly a newcomer in Wall Street either. I am going to put up a very difficult question to you. How would you explain the term "technical position" as applied to the stock market. This term seems to be used by many different writers to mean different things and I would like to see some authoritative comment to clarify my own conception of the term. And if it is not imposing on your good nature too much, could we have a simple explanation of what constitutes a market in a "strong technical position"?

Very truly yours,
H. N. U.

The difficulty in answering your questions concerning the "technical position" phrase, lies largely in the fact that the term is very loosely used, that it may be used with different meanings under different circumstances and, also, that all too frequently it is used both in financial writing and discussion merely to cover the confusion of the commentator. In the opinion of the writer the proper use of the term should be confined to market factors that are definitely related to the "technicalities" of buying and selling on the trading floor of the stock exchange. Stock prices are determined by the demand for stocks of present or potential buyers and the supply of present or potential sellers. These may be said to represent the fundamental influences upon security prices. The manner in which these two opposing influences of supply and demand are translated into buying and selling transactions on the floor of the exchange, however, would represent the technical considerations of the stock market. The speculative activities of both the non-professional traders and the pools are closely related to the "technicalities" of the stock market, because their operations largely represent the supply of stock immediately available for the purpose of making markets for stocks at a given moment. These "technicalities" in the making of markets for stocks, account for the fact that stocks frequently sell at prices or experience price movements which have no definite relation to intrinsic value. The rather frequent incident of a stock which advances upon the announcement of a dividend reduction is a simple example of effect of technical influences. It may be due to short covering, willingness of traders to buy as soon as the "bad news" is out, the support of a pool interested in making a market for the stock or some other reasons related to the technicalities of making a market for stocks. When technical factors are favorable for an advance in prices, the market is said to be in a "strong technical position." Various factors considered likely to place a stock (or the general market) in a strong technical position would include: a large short interest which would be forced to buy stocks to cover if prices advanced, heavy investment buying which would reduce the supply of stocks, accumulation by pools or banking sponsors of stocks, or a sudden drop in prices which would make stocks more attractive for new buyers and "shake out" weak holders.

Functions of the Specialist

Readers' Forum Editor:

Will you please throw some light for me on the practice of the specialist. As I understand it all open orders placed with a broker are given to the specialist for execution when the stock sells at the price specified in the order. Does this not mean that the customer is unrepresented by his broker when the order is executed? Furthermore, it is my understanding that the specialist has the privilege of buying and selling on his own account against orders placed on his books. That is to say, if I place an order to buy 100 shares of U. S. Steel at 140 when Steel is selling at 145, the order will be listed on the specialist's book, and if Steel sells down to 140, the specialist has the privilege of selling the stock to me at that price or matching it with another order to sell that is placed with him by another broker. Does this not give the specialist a great deal of latitude and enable him to trade profitably against buying and selling orders on his book? And does not the specialist's book give pool managers "inside" information which they can use profitably in their operations? I would like to see this situation thrown open for frank discussion in your columns because it vitally affects the investment and trading activities of your readers. It is my personal view that this specialist matter might well be taken up by the Stock Exchange as its next field for reform in its continual improvement of facilities to serve investors.

Faithfully yours, S. T.

It is well known that the position of the specialist in the general scheme of making markets for stocks on the New York Stock Exchange has received a good deal of study and consideration by the officials of that institution. Numerous proposals have been put forth outside of the exchange but none of these suggestions for a change in the status of the specialist seems to be entirely practicable or acceptable to exchange officials. The practice at present is for exchange members to place their open orders (with prices somewhat away from the prevailing market) with the specialist for execution. The specialist enters all open orders that he receives from floor members on his book and has the responsibility for their execution. When he executes these orders as a broker, he charges the same commission that other floor brokers charge for handling business of other member firms. When he trades as a principal, no commission is charged. The stock exchange maintains a very strict enforcement of this rule against charging commissions on transactions in which the specialist acts as a principal. Disciplinarian acts of the exchange in this regard have led to the suspension of several members within recent months. Except in the case of the very active stocks, the small commission received by the specialist would not be sufficiently attractive to induce members of the exchange to assume the ordinary responsibilities of being specialists. Consequently, if the specialist were called upon to give up his normal trading privileges, or were prevented from trading as a principal in the issue in which he is a specialist, it would not be profitable for members to act in this capacity for stocks which are not especially active. It has been proposed that employees of the exchange "run" the specialist's books in all stocks, giving all members the privilege of looking at the book for their own information or for the information of their customers. Under this proposal, all open orders would be

automatically executed when reached, and the specialist's book would be an open record for everyone interested. The objection to this, of course, lies in the heavy financial responsibility which would be placed on clerks employed by the exchange, even though their duties were more or less perfunctory. It is considered far more practicable to confine such responsibility exclusively to members of the exchange. It would still be possible, however, to keep this specialist function in the hands of exchange members and require them to maintain an "open book." By making the specialist's book an open record for all other members, the possibility of pool managers obtaining "inside" information would be entirely eliminated. Under the present system, many traders prefer to place market orders for all transactions, thereby assuring themselves that the order will be executed by their broker or his representative to the best possible advantage under all circumstances.

Anent Rating System

Editor, Readers' Forum:

I have been somewhat puzzled by your system of rating stocks in connection with the recent Dividend Forecast tables, which appeared in your publication, and wish to call upon you for a satisfactory explanation. From the way I interpret these ratings, there seem to be some obvious errors in judgment. For example, I noted in the table of mining issues that Anaconda and American Smelting were rated B-1. This seems to me quite satisfactory in itself, but I also note that you give smaller and weaker companies, such as Calumet & Hecla and Nevada Copper the same rating. I get the impression from this that you consider all of these issues of equal caliber, and I am inclined to disagree very violently on this point. In the petroleum table, you give Phillips Petroleum, Houston Oil and General Asphalt all the same rating as B-1. Again in the table of food stocks the same B-1 rating is given to Armour "A" stock and National Dairy Products. Am I to infer from these ratings that the members of your staff consider all of the above stocks of equal merit as investment or speculative stocks? This is the impression that I have gotten from your ratings and I am sure that I am just enough of a "normal" person to be fairly representative of the reactions of many other readers of your valuable paper. If you do not feel inclined to print this letter, will you please advise me what interpretation I should make of your ratings in order to get the greatest possible advantage from them. Very truly yours, T. M.

We solicit criticism as well as praise from readers and are always ready to print critical letters when we feel that the comment or discussion would be of any practical advantage to other readers. The points that you raise concerning the proper interpretation of the market ratings that appear twice a year in connection with our semi-annual dividend forecasts, is an important one and undoubtedly will hold considerable interest of other readers also. In any rating system, the reader obtains the greatest benefit only if the purpose of the rating is clearly understood. In the formulation of market ratings used by this publication, there is no intention of classifying companies or stocks of "similar merit" into separate groups. The market rating for each issue is established entirely independently of the other companies or stocks mentioned in the tables.

Naturally, in determining a proper rating for a petroleum stock, all of the current factors in the industry are considered at the time the rating is made. However, there is no other relation implied between two different oil stocks that are given the same rating. In each instance the rating is an absolute rather

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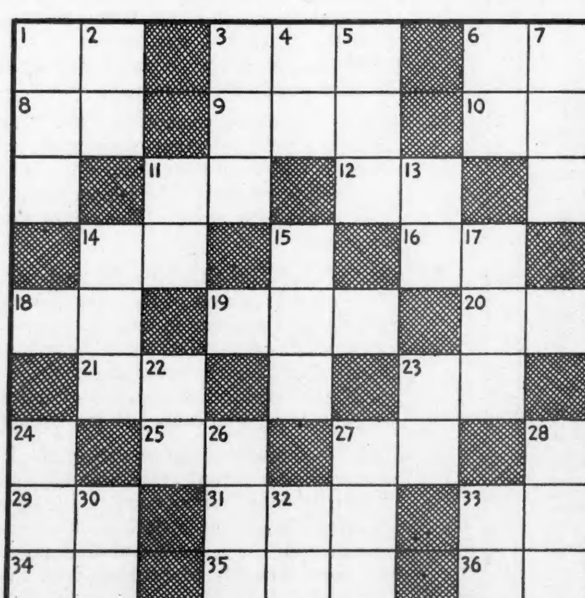
How Well Do You Know Your Ticker Symbols?

Solve The Magazine of Wall Street's Cross Word Puzzle and Find Out

The puzzle outlined below is made up entirely of the ticker symbols of the companies given. All stocks are listed on the New York Stock Exchange. Solving this and subsequent puzzles will prove an interesting demonstration of your ability to read the tape and has the practical advantage of widening your knowledge of the most frequently used ticker abbreviations. The correct solution and the next puzzle will appear in the following issue.

ACROSS

1 Allis Chalmers Mfg. Co.
3 Anchor Cap Corp.
6 Atl. Gulf & West Indies S. S Lines
8 Continental Baking Co.
9 Austin Nichols & Co.
10 Standard Gas & Electric Co.
11 American Can
12 Granby Cons. Mining & Smelt.
14 Brooklyn Edison
16 Butte Copper & Zinc
18 N. Y. Air Brake
19 Atlantic Refining Co.
20 Auto Sales Co.
21 Link Belt Co.
23 DuPont De Nemours & Co.
25 American Ice Co.
27 Bush Terminal Co.
29 Amer. Steel Foundry
31 Archer Daniels Co.
33 Solvay Amer. Investors Corp.
34 Gulf Mobile & Northern
35 Florsheim Shoe Co.
36 Amer. Writing Paper Co.



DOWN

1 Amer. Chain Stores
2 Amer. Hide & Leather
3 Auburn Auto Co.
4 N. Y. Central
5 Congoleum Nairn & Co.
6 General Asphalt
7 General Cable Co.
11 Adams Express Co.
13 Burns Brothers
14 Bloomingdale Bros.
15 Amer Machine & Foundry
17 Capital Administration Co.
22 National Biscuit Co.
23 Delaware & Hudson
24 Am. La France & Foamite
26 Safeway Stores
27 Borden Co.
28 Amer. Power & Light
30 Alaska Juneau
32 Dela. Lack. & Western
33 Savage Arms

TRADE TENDENCIES

Small General Gains Registered—Prices Slightly Firmer

INVENTORIES

Less in Dollars, Larger in Volume

RECENT surveys of the country's inventory position — that bugbear of all depressions — has brought to light several interesting facts. It has been known of course that the general policy of expressing inventories in dollars was very misleading during a time of drastic price declines but the actual extent of the possible error has not perhaps been realized. Companies showing an inventory reduction in manufactured articles of some 20% have really only bettered their position by about 5% in volume, an exceedingly small reduction in view of the great curtailment in output. On the other hand, the country's inventories of such raw materials as oil and copper are now undoubtedly very much higher than they were at the commencement of the depression and

(*Please turn to page 651*)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1930 High	1930 Low	Last*
Steel (1)	$34.00	$30.00	$30.00
Pig Iron (2)	18.50	17.00	16.50
Copper (3)	0.17¾	0.09½	0.10¼
Petroleum (4)	1.45	0.95	0.96
Coal (5)	1.65	1.40	1.55
Cotton (6)	0.17½	0.09½	0.11⅝
Wheat (7)	1.46½	0.98⅞	0.95
Corn (8)	1.19½	0.90½	0.81½
Hogs (9)	11.00	8.00	7.00
Steers (10)	16.50	10.75	11.00
Coffee (11)	0.10¼	0.07	0.06¼
Rubber (12)	0.16⅝	0.07⅝	0.07½
Wool (13)	0.34	0.28	0.29½
Sugar (15)	0.03⅝	0.03½	0.03¼
Sugar (16)	0.05½	0.04½	0.04½
Paper (17)	0.03½	0.03⅛	0.03⅛
Lumber (18)	20.33	15.03	15.22

* Feb. 25, 1931.

(1) Billets, rerolling, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per lb.; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) 200-240 lb. wts.; (10) Top, Heavies, Chicago, 100 lb.; (11) Rio No. 7, spot, c. per lb.; (12) First Latex Crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (15) Cuban, 96° duty paid, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—The industry continues to gain gradually but persistently. Ingot production is currently at about 52% of theoretical capacity against 51% last week. Most of the pressure on prices appears to have lifted and this perhaps is an even more gratifying development than the slight gain in activity. Although reports of betterment from the steel industry are becoming weekly more conclusive, grounds for unbounded enthusiasm are not yet existent.

TEXTILES—The cotton textile industry in this country is currently enjoying a modest little revival all its own. Mill sales for some classes of cloth during the past two or three weeks have been larger than in any similar period for several years and although actual weaving activity has not yet increased to any large extent, surplus stocks have been very materially reduced.

COAL—Soft coal production for the week ended February 14 gained nearly 5% over the previous corresponding period, although activity is still running considerably under the levels of 1930. Anthracite production shows an identical trend. It is understood that the current increase in industrial activity has been reflected in a somewhat better demand for both classes of coal.

AUTOMOBILES—Production of automobiles and trucks in the United States and Canada for the month of January amounted to 178,399 units, which compared with 161,328 for the previous month and 283,606 for January, 1930. Trade sentiment is undoubtedly very much improved.

RETAIL TRADE—There is a growing conviction that the retail movement of goods has been unnecessarily hampered by high mark-ups. It is said that a too high initial price has restricted volume even when the article is a new one or in a new style and that when a premium is no longer justified the article falls to an unwarranted low level during the subsequent "sale."

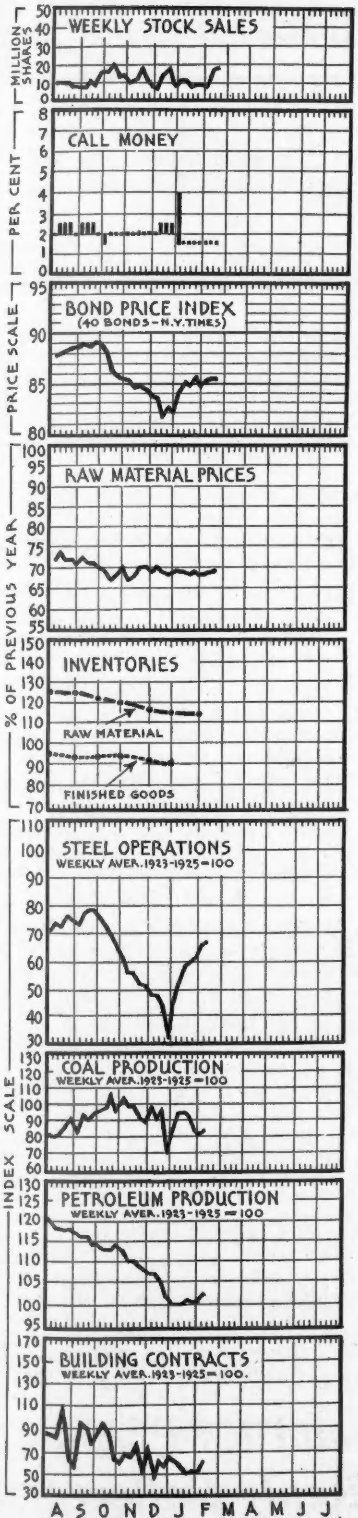
COPPER—The announcement that the Pennsylvania Railroad was to complete its electrification plans before schedule was good news for the copper producers, as about 60 million additional pounds of the metal will be needed. The copper market rules dull although a fair demand has been noted. The export price is currently 10.25 cents per pound.

RAILROAD EQUIPMENTS—The first part of 1930 is expected to be a lean period for most of the railroad equipments. Indeed it is even expected that business in several classes of equipment will be at the lowest levels since 1900. It is becoming increasingly apparent that "hard times" for the railroads of the country spell equally "hard times" for many other branches of industry and that the need for favorable legislation cannot be too strongly urged.

BUILDING—Slightly better reports of residential construction are currently being received and although they may prove to be but a "flash in the pan" it is an encouraging sign insofar as the present year apparently holds out little hope for a phenomenal activity in total construction. It is estimated that non-residential building during 1931 will probably be between 30% and 40% under that of last year.

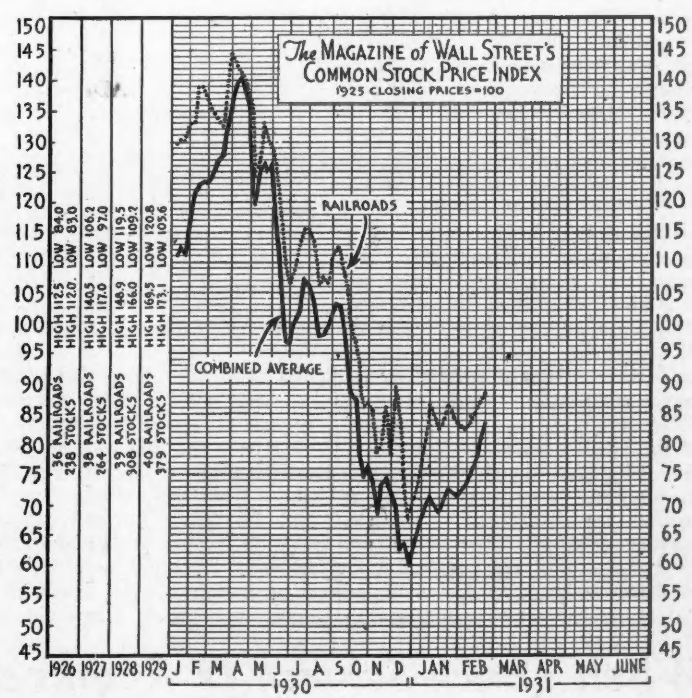
The Magazine of Wall Street's Indicators

Business Indexes



Common Stock Price Index

Number of Issues in Group	Group	1931 Indexes High	1931 Indexes Low	Recent Indexes Feb. 14	Recent Indexes Feb. 21	1930 Indexes Close	1930 Indexes High	1930 Indexes Low
405	COMBINED AVERAGE	83.7	62.2	77.3	83.7	62.2	140.7	59.9
5	Agricultural Implements	136.3	105.9	130.2	136.3	112.0	405.5	105.7
8	Amusement	121.2	88.5	111.5	121.2	88.5	272.0	85.6
22	Automobile Accessories	69.6	47.8	59.1	69.6	47.8	118.1	46.2
20	Automobiles	35.6	25.5	30.4	35.6	25.5	78.4	24.5
4	Aviation (1927 Cl.—100)	66.2	39.9	61.4	66.2	39.9	153.1	35.4
3	Baking (1926 Cl.—100)	38.0	23.3	35.7	38.0	23.3	74.2	23.3
2	Biscuit	212.8	185.5	204.6	212.8	185.5	248.1	179.6
5	Business Machines	161.6	128.6	149.4	161.6	128.6	262.7	123.5
2	Cans	188.5	157.0	172.0	188.5	157.0	226.0	151.8
8	Chemicals & Dyes	157.8	121.7	139.5	157.8	126.0	248.5	124.3
3	Coal	59.4	35.4	55.6	59.4	35.4	107.9	34.4
22	Construction & Bldg. Material.	73.7	48.3	68.3	73.7	48.3	121.8	46.2
12	Copper	89.5	70.4	82.0	89.5	70.4	211.7	67.0
2	Dairy Products	94.8	83.0	92.2	94.8	83.0	125.1	80.7
9	Department Stores	27.8	21.5	25.6	27.8	21.5	51.6	20.4
8	Drugs & Toilet Articles.......	118.3	83.0	115.5	118.3	83.0	142.0	79.4
8	Electric Apparatus	149.3	115.8	133.5	149.3	115.8	239.1	114.9
4	Fertilizers	21.5	14.8	18.4	21.5	14.8	54.4	13.7
2	Finance Companies	85.4	74.3	79.9	85.4	77.6	148.4	68.5
7	Food Brands	78.1	64.4	75.3	78.1	64.4	93.5	62.1
4	Food Stores	73.8	50.3	70.6	73.8	50.3	124.6	50.0
4	Furniture & Floor Covering...	51.7	31.6	42.6	51.7	31.6	119.2	30.1
7	Household Equipment	43.8	29.9	39.9	43.8	29.9	92.5	28.6
10	Investment Trusts	89.1	61.0	82.1	89.1	61.0	134.9	58.9
3	Mail Order	86.5	52.3	81.3	86.5	52.3	170.0	51.5
39	Petroleum & Natural Gas....	69.2	52.4	67.6	69.2	52.4	142.5	50.9
8	Phone. & Radio (1927—100)..	56.8	37.2	55.7	56.8	37.2	175.2	36.3
20	Public Utilities	187.5	150.4	178.1	187.5	150.4	305.0	141.1
10	Railroad Equipment	73.1	57.8	67.6	73.1	57.8	115.4	55.5
33	Railroads	88.4	69.8	85.0	88.4	60.8	144.5	67.1
3	Restaurants	100.7	81.9	95.2	100.7	81.9	153.1	78.9
5	Shipping	33.0	28.9	37.3	32.0	26.9	58.8	28.9
2	Soft Drinks (1926 Cl.—100)...	177.0	152.4	169.0	177.0	160.4	246.5	150.8
13	Steel & Iron................	91.4	63.5	80.5	91.4	63.5	146.5	61.4
6	Sugar	18.0	12.9	16.5	17.8	12.9	45.1	12.2
2	Sulphur	218.0	170.3	197.9	218.0	170.3	268.7	163.0
3	Telephone & Telegraph	132.4	97.4	118.5	132.4	97.4	177.2	92.6
6	Textiles	38.3	23.7	35.0	38.3	23.7	70.5	21.1
7	Tire & Rubber	13.5	10.9	12.4	13.5	10.9	39.0	10.9
9	Tobacco	74.5	59.3	72.6	74.5	59.3	107.3	57.5
5	Traction	84.6	67.0	79.4	84.6	67.0	103.5	63.2
2	Variety Stores	75.2	68.5	72.2	75.2	68.5	88.7	66.5



(An unweighted Index of weekly closing prices; compensated for stock dividends, rights, and split-ups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

Our Personal Service Department is prepared to offer advice on any security in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Be brief.
2. Confine your requests to *three securities only.*
3. Write name and address plainly.

Special rates upon request to those requiring additional service.

INLAND STEEL CO.

Will you please let me have your analysis of the nearby outlook for Inland Steel common? My holdings consist of 100 shares at 80. Shall I continue to retain?—H. C. O., Meridian, Miss.

Inland Steel Co. has steadily strengthened its position in the Middle West, and now ranks second only to Illinois Steel Co., a subsidiary of U. S. Steel Corp., in the increasingly important Chicago district. The company, regarded as the largest independent producer, is engaged in practically all phases of the steel industry and controls its own source of raw materials. Recently the company issued $15,000,000 additional 4½% sinking fund bonds, the purpose of which was to reimburse the treasury for costs of betterments already completed and to provide funds for the construction of a new continuous sheet, plate and strip mill. In connection with the above addition, it has obtained a license from American Rolling Mills for the use of their continuous rolling process. In common with other companies in the steel industry, operations last year were sharply curtailed, reflecting low rate of demand for its products. Earnings were further adversely affected by increased competition with resultant lower profits margin. The annual report for 1930 revealed net income of $6,498,967, after depreciation, depletion, interest, Federal taxes, etc., as compared with $11,712,374 for the preceding year. Reduced to a per share basis on 1,200,000 no-par common shares outstanding net amounted to $5.41 in the later period against $9.76 in 1929. The company's plants are said to be currently running at the rate of about 45% of capacity with little major improvement anticipated during the initial quarter of the current year. It is unlikely, therefore, that dividend requirements will be covered during the period; and maintenance of the present rate of $4 a share will depend largely on the outlook for the balance of the year. However, current prices for the shares appear to discount existing conditions, and if you are prepared to exercise a degree of patience, we suggest retention of present holdings with a view toward long term developments.

AMERICAN CAN CO.

Has American Can lost any of its prestige as a market leader? I have read that new stocks are likely to lead the next bull market which I suppose would retard any marked rise in the value of American Can common. What is your judgment in this matter? I have 200 shares at 162.—E. S. J., Fort Madison, Iowa.

American Can Co. ranks as the largest unit in its field, doing a business about four times that of its nearest competitor. The company has steadily expanded its facilities and now operates about fifty modern plants, located chiefly in the Middle Atlantic States, although several are in Canada and Hawaii. Currently under construction are, a large plant and warehouse at Honolulu, to provide for the requirements of the Hawaiian pineapple packers, a factory in Seattle, Wash., and a new plant in Terre Haute, Ind. Through the recently founded British Can Shares, Inc., the company expects to secure a foothold in the can business of Great Britain. Its products include tin containers for food products, chemicals, oils and tobacco products. Experiments are being made with transparent cellulose containers. Despite generally unfavorable business conditions prevailing last year, demand for the company's products held up well, with the result that profits for 1930 registered a gain over those for 1929, thus continuing the upward trend in evidence during recent years. Net income for the twelve months ended December 31, 1930, amounted to $22,883,940, equivalent, after preferred dividends, to $8.08 a share compared with $22,724,802 or $8.02 a share for the preceding twelve months. Financial condition at the close of last year was strong; current assets amounting to $55,082,309 against current liabilities of $13,383,377, leaving net working capital of $41,698,932. We believe the shares suitable for investment consideration, and endorse purchases during market recessions.

AMERICAN SNUFF CO.

How do you rate American Snuff common at this time? Is it a purchase around 40 suitable to include in a business man's portfolio as a speculative investment? The yield is attractive if secure.—K. W. S., Gary, Ind.

Contrary to the general belief, the

(*Please turn to page 638*)

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

Answers to Inquiries

(*Continued from page 636*)

use of snuff is still in existence, and as a matter of fact has increased in popularity in recent years. According to the U. S. Treasury report for 1930, total output of the industry amounted to 40,112,663 pounds last year, as compared with 40,036,914 pounds in 1929. When consideration is given to the curtailed buying power of the public due to unemployment last year the above showing is gratifying. The American Snuff Co. ranks as the third largest enterprise in the industry, with an annual capacity of approximately 11,000,000 pounds. Its products include the better known brands of "Garrett," "Honest," and "Dental." In contrast with the increased output of the industry and generally favorable earnings of the larger companies, declines in net income have been reported by this company in each of the last two years. For the twelve months ended December 31, 1930, net income amounted to $1,893,049, as compared with $2,109,581 in the preceding year and $2,178,525 in 1928. After deducting $237,168 preferred dividend charges in each year, the above results were equivalent to $3.76 a share in 1930, $4.25 a share in 1929, and $4.41 in 1928, based on 440,000 shares of $25 par common stock. While we do not anticipate substantial earnings improvement during the immediate future, we are of the belief that current prices for the company's shares amply discount existing conditions, and providing reasonable risks are not objectionable retention is suggested. Fresh purchases, however, should be deferred for the time being.

GENERAL FOODS CORP.

My broker tells me that General Foods common could easily go to 75 with any sustained strength in the general market. I plan to buy 300 shares as a semi-investment. What is your recommendation?—E. M. F., Corning, N. Y.

Operating more than 30 separate production divisions with domestic and foreign sales units, the General Foods Corp., incorporated in its present form in July, 1929, manufactures and distributes approximately 90 food products, a number of which are nationally advertised. Among its better known products are Diamond Crystal Salt, Maxwell House Coffee, Jell-O, Grape Nuts, Post Toasties, Postum, Cereal and Hellmann's Blue Ribbon Mayonnaise. The company also controls the "Birdseye Quick Freezing Process" which enables meat, fish, fruit and vegetables to be distributed in packages at low costs without sacrifice of natural flavor. A new development is the introduction of Vitamin D to foods and drug products. While this process is in the earlier stages of development, a number of companies are said to be seeking the right to use it on a royalty basis. The earnings report for the full year 1930 has not yet been issued, but profits for the first nine months were equivalent to $2.93 a share, compared with $2.83 a share on a slightly smaller capitalization in the corresponding period of 1929. It has been estimated that full year profits will be in the neighborhood of $3.60 a share which would compare with the $3 annual dividend. We counsel against reaching for the issue, but believe that the stock has interesting longer term potentialities, and would not oppose a commitment during a period of market weakness.

CHILDS CO.

What are the 1931 *prospects for Childs Company common? In July of last year I purchased* 100 *shares at* 57. *Would you approve buying another* 100 *around* 33? *Is the dividend in danger?—H. M. L., Aurora, Ill.*

Last year may be referred to as a period of rehabilitation by Childs Co., since the management was busily occupied in making such changes as it believed to be conducive to the reestablishment of earnings comparable to those of a few years ago. Unprofitable units were closed, while many of the older stores were modernized by improvements, and new ones opened in more promising locations. In addition the company has broadened its scope of operations, to include the retailing of merchandise, such as candy, cigars, cigarettes, coffee, tea, baked beans, mayonnaise, pastry, cakes, etc. Soda fountains and luncheon counters have also been established in the new restaurants. The company operates more than 115 stores, located in 29 cities in the United States and Canada. Its real estate holdings are said to consist of 45 parcels, about half being located in New York City. Although the above would appear to have strengthened the company's long term outlook, last year's operating results should not be overlooked. Due primarily to abnormally hot weather in the third quarter months, sales volume for 1930 registered a decline of 5.8%, more than offsetting savings from operating economies. Net income, excluding $152,387, surplus adjustment, amounted to $1,187,448 or $2.31 a share on 362,370 no-par common shares. This compares with current dividend rate of $2.40 a share, and net earnings of $2.56 a share on a slightly smaller capitalization for

1929. Although the 1930 report is not particularly impressive, we believe retention of the shares justified, when consideration is given to longer term prospects. We would prefer, on the other hand, to defer additional purchases, pending definite indications that unfavorable earnings trend has been checked.

NATIONAL BISCUIT CO.

I realize that the National Biscuit Co. made a very good showing during 1930 but the fact that the common is selling at practically 25 times its reported earnings worries me. Would you advise accepting a profit of $1200 which I have on 200 shares?—T. T. M., Elizabeth, N. J.

Despite the business depression, the National Biscuit Co. continued its uninterrupted growth of earnings last year, with the net income revealing a gain of more than 7% over 1929. Earnings have shown a steady upward trend for the past 14 years, and the net totaled $22,879,898, or $3.40 a share last year, against $21,423,571, or $3.28 in 1929. While the rate of increase last year was less than in previous years, the company has clearly demonstrated its depression proof qualities. The report for 1930 brings to light the efficient management and strong position of the company. Low commodity prices were an important factor in the gain in 1930, but at the same time the company passed on to the consumer a portion of the added profits by cutting prices three times in 1930. The company was extremely liberal in its dividend policy last year, having disbursed an extra payment of $0.50 a share in addition to the regular $2.80 annual rate. This is an indication of the financial strength of the enterprise, and it is now able to pass on the greater part of earnings to the shareholders. The stock is a sound issue and because of its stability is entitled to sell at a high level in relation to earnings. While you have a sizable profit, the issue is suitable for holding as a sound investment issue.

BEATRICE CREAMERY CO.

Beatrice Creamery common has been recommended to me for spec-vestment by a conservative house but I would like to have your opinion before I buy. It seems to me that the price of the stock held up very well last year. Are favorable developments in sight?—S. O. G., Hutchinson, Kans.

Beatrice Creamery Co. is engaged in a business which has fairly well proven its resistance to depressions. Moreover, while the general run of companies found it necessary to curtail expansion programs last year, this company, in common with other dairy enterprises,

continued to broaden its scope of operations with highly gratifying results. Ranking as the third largest unit in its field, the company chiefly concentrates its operations in the Middle West, although entrance to the Atlantic Seaboard was recently accomplished through the acquisition of additional properties in that territory. Despite the rapid growth of the company in recent years, the expansion program has been accomplished on a conservative basis, the management confining acquisitions to profitable and well established enterprises, and obtaining such properties at reasonable costs. Thus we find that although capitalization has been increased, net per share earnings have not suffered a decline. Latest statement of income available is that for the six months ended August 31, 1930, when net income amounted to $6.29 a share on 298,868 common shares, a gain of approximately 66% over that of $5.48 per share on 195,864 shares for the corresponding period of the previous year. Despite the fact that additional common shares have been issued in connection with recent acquisitions, it is believed that per share earnings for the fiscal year ended February 28, 1931, exceeded those of $7.31 reported for the preceding 12 months by a fair margin. Financial position of the company at last reports was strong. We regard the shares as attractive for long term holding, and endorse moderate commitments during periods of market weakness for those who are prepared to exercise patience.

U. S. GYPSUM CO.

Do you think the present market price of U. S. Gypsum common has discounted the worst? I have 500 shares at 52. Shall I continue to hold or switch to another issue that may recover more rapidly?—M. M. K., St. Joseph, Mo.

Aided by the strengthening of gypsum prices, settlement of price cutting competition and earnings of new plants, the U. S. Gypsum Co. took its place among the select group of companies which were able to show an increase in profits last year over 1929. This company is a leading producer of gypsum products and a varied line of building supplies including stucco paint, metal laths, building board, tile and plaster. The company reported net profit last year of $5,408,685, which was equivalent to $4.01 per common share, as compared with $5,102,305, or $3.98 a share a year earlier. A falling off in demand for its products last year, due to the sharp decline in building, was offset by lower manufacturing and distributing costs, improved market conditions, a more varied line of products and earnings from new mills recently put into operation. The earnings trend previous to 1930 had been downward, due to sharp price cutting as a result of the competitive conditions. The immediate outlook for an upswing in building activities is not promising, but the U. S. Gypsum Co. is in a position to benefit from any improvement and the current year is expected to produce satisfactory results. The annual dividend is well earned, and the market appears to have discounted the worst aspects of the situation. We suggest retention over the longer term.

GENERAL RAILWAY SIGNAL CO.

In 1929 I purchased 50 shares of General Railway Signal common at 115 and have been holding it ever since. The drop in earnings in the final quarter has worried me. What would you counsel doing now? —E. J. F., Ashland, Ky.

The General Signal Co., one of the two leaders in the manufacture of automatic railway signal apparatus, operated at a highly satisfactory rate in 1930 as compared with the results of the majority of railroad equipment companies. Earnings for the full year 1930 were equivalent to $7.07 a share on 324,100 common shares, as against $8.25 a share on 357,500 shares in 1929. The decline of about 20% from 1929 results was due to a sharp falling off in operations in the final quarter, as results for the first 9 months were close to 1929 levels. The $5 annual dividend was earned by a good margin. Replacement and renewal orders from railroads fell off in the final three months of 1930, but, as officials of General Railway Signal point out, replenishment orders will have to be placed this year since many of the units served have exhausted their own supplies of replacement materials. Unfilled orders on the company's books at the beginning of the current year amounted to about 80% of the total on hand on January 1, 1930. A large amount of new work planned by railroads probably will be undertaken with recovery in railroad traffic. We assume a constructive attitude toward the future of this company, and believe that the shares possess merit for holding over the longer term.

P. LORILLARD CO.

It was very encouraging to have P. Lorillard Co. report $1.47 a share on the common for 1930 as compared with 28 cents a share for 1929. I hold 150 shares at 30 bought three years ago. Now that earnings seem to be on the upgrade, would you advise averaging around 17 as a speculation?—S. G. C., Baton Rouge, La.

The heavy advertising expenditures of the P. Lorillard Co. in recent years in promoting its "Old Gold" cigarette appear to be bearing fruit and the results for 1930 seem to indicate that the company has turned the corner. Earnings from 1926 to and including 1929 showed a sharp decline due to the keen competitive conditions prevailing in the cigarette industry and dividends were omitted in order that the company could plough earnings back into the advertising appropriation. Earnings in 1930, however, showed a large increase over the previous year, net being equivalent to $1.47 a share on 1,909,061 common shares as compared with $0.28 a share on 1,908,505 shares in 1929. The total net income for 1930 was $3,614,363, a sizable gain over the $1,336,656 in 1929. Dividends of $791,532 on the preferred stock left a surplus for the year of $2,822,831, which brought the total surplus to $16,576,072. With evidence that the company has definitely established itself on a higher earnings level, there is the possibility of a resumption of dividend payments on the junior stock. However, it is understood that the directorate have not yet given consideration to a dividend policy. The remarkable recovery of earning power last year has given the stock considerable speculative merit, and averaging during periods of market weakness should prove profitable over the longer term, provided you are willing to assume the risk involved.

Readers Ask for Information on Stock Exchange Practice

(*Continued from page* 633)

than a relative appraisal. There is no implication that one or more oil stocks should serve as a yardstick of investment or speculative merit for the others. The same principle applies to other groups in other industries. In a general way, the A ratings are intended to identify the stocks which enjoy satisfactory investment merit at the time the rating is made, and more or less place such issues in a separate category from those issues which are given B ratings. In determining from this point whether the rating shall be A-1 or A-2 (or B-1 or B-2) each issue is considered on its own merits. The prevailing market price at the time the rating is made is an important consideration, in the sense that a stock of a concern with reduced earnings or even a lower dividend rate may still have greater probabilities for advance as a result of its present thoroughly deflated price level than the higher priced stock of a stronger company. This explanation will tend to mitigate, we feel sure, the apparent "errors in judgment" in the determination of some of the ratings from your interpretation, and serve as a practical guide to others using the ratings.

ENGINEERS PUBLIC SERVICE COMPANY

DATA EXTRACTED FROM ANNUAL REPORT FOR 1930

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On the other hand, because of lowered rates, our residential customer bills increased only 10% for this same period.

CONDENSED CONSOLIDATED STATEMENT

	1930	1929
Gross Earnings	$53,041,640	$50,810,589
Net Operating Revenue	22,732,323	21,252,244
Balance for Reserves and for Engineers Public Service Company	11,672,300	10,969,837
Earnings Per Share of Common	$2.62	$2.38
Total Construction	$31,000,000	$23,000,000
Communities Served	785	680
Electric Customers	388,954	369,373
Electrical Output (kilowatt hours)	2,082,926,000	1,915,112,200
Miles of Transmission Line	9,175	7,782

A full report will be mailed to you on request.

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New York Stock Exchange

RAILS

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 2/25/31	Div'd $ Per Share
A								
Atchison	298⅝	195½	242½	168	203⅝	178½	200	10
Do Pfd.	104⅞	99	108¾	100	107½	102½	107⅝	5
Atlantic Coast Line	209½	161	175½	95⅛	120	105	113	10
B								
Baltimore & Ohio	145⅛	105	122⅝	55⅝	87⅞	68⅛	86	7
Bangor & Aroostook	90⅝	55	84½	50⅛	64⅞	56½	63½	3½
Brooklyn-Manhattan Transit	81⅞	40	78¾	55⅛	66¼	58¾	64¼	4
Do Pfd.	92⅝	76½	98⅝	83	94¼	85⅝	92	6
C								
Canadian Pacific	265⅞	165	52¼	35¼	45⅝	38½	44⅛	2½
Chesapeake & Ohio	279¾	160	51⅜	32⅝	46½	39½	45	2½
C. M. & St. Paul & Pacific	44⅞	16	26⅝	4⅛	8⅞	5¼	7⅞	..
Do Pfd.	68⅝	28½	46¼	7⅝	15⅜	9½	13⅛	..
Chicago & Northwestern	108½	75	89⅞	28½	45½	33	44	4
Chicago, Rock Is. & Pacific	143½	101	125⅛	45¼	65½	47¼	61	7
D								
Delaware & Hudson	226	141½	181	130⅛	157¼	141	156	9
Delaware, Lack. & Western	169⅝	120¼	153	69½	102	80	92½	6
E								
Erie R. R.	93½	41½	63⅝	22⅛	39⅜	23	38½	..
Do 1st Pfd.	66¼	55½	67⅝	27	45¼	39	43½	4
G								
Great Northern Pfd.	128⅛	85⅛	102	51	69⅝	58½	68½	5
H								
Hudson & Manhattan	58⅝	34½	58⅝	34⅞	44½	37	43½	3½
I								
Illinois Central	153¼	116	136⅝	65⅝	89	69⅝	88½	7
Interborough Rapid Transit	58⅝	15	39½	20⅝	31⅜	24½	29	..
K								
Kansas City Southern	108⅝	60	85⅝	34	44⅝	35	43	5
Do Pfd.	70½	63	70	53	64	85	†61	4
L								
Lehigh Valley	102¼	65	84⅞	40	61	53	55	3½
Louisville & Nashville	154¾	110	138½	84	111	90⅛	109	7
M								
Mo., Kansas & Texas	65⅝	27⅛	66⅝	14⅞	26⅝	20	24¼	3
Do Pfd.	107½	93⅞	108⅜	60	85	70	82⅛	7
Missouri Pacific	101⅜	46	98½	20⅝	42¾	30½	†40	..
Do Pfd.	149	105	145½	79	107	86½	103½	5
N								
New York Central	256½	160	192⅜	105⅛	132¼	113	129½	8
N. Y., Chic. & St. Louis	192⅝	110	144	73	88	77¼	†85	..
N. Y., N. H. & Hartford	132½	80⅞	128⅛	67⅝	94⅞	75	91⅛	6
Norfolk & Western	290	191	265	181½	215	200	213	12
Northern Pacific	118⅞	75⅛	97	42⅝	60⅞	47¼	59	5
P								
Pennsylvania	110	72½	86⅝	53	64	55⅞	63⅛	4
Pittsburgh & W. Va.	148¾	90	121⅜	48½	88	60	†76	..
R								
Reading	147⅜	101½	141½	78	97½	79	†94	4
S								
St. Louis-San Fran.	133⅝	101	118⅞	39⅝	62⅜	48	53½	8
St. Louis-Southwestern	115⅜	50	76⅝	18	33½	23	31	..
Seaboard Air Lines	21⅜	9½	12½	⅛	1⅜	⅛	⅞	..
Do Pfd.	41⅜	16¼	28	½	2½	1	1½	..
Southern Pacific	157½	105	127	88	109½	92¾	106½	6
Southern Railway	162½	109	136⅝	46½	65⅞	47¾	61¼	8
Do Pfd.	100	93	101	76	83	80	†80	5
T								
Texas & Pacific	181	115	145	85	100	90	†90	..
U								
Union Pacific	297⅝	200	242⅜	166½	205¼	179⅝	203¼	10
Do Pfd.	85½	80	88⅝	82⅛	86½	83⅝	†85⅞	4
W								
Wabash	81⅞	40	67⅝	11¼	26	17	20	..
Do Pfd. A	104⅞	88	89¼	39	51	38¼	41	..
Western Maryland	54	10	36	10	19⅝	13¼	18½	..
Do 2nd Pfd.	53½	14⅝	38	11¼	19	16	†17½	..
Western Pacific	41⅞	15	30½	7⅛	14⅞	10	13½	..
Do Pfd.	67⅜	37½	53½	23	31½	26	†30	..

INDUSTRIALS AND MISCELLANEOUS

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 2/25/31	Div'd $ Per Share
A								
Adams Express	34	20	37⅞	14¼	23½	16½	23	1.60
Air Reductions, Inc.	223⅝	77	156⅝	87½	109⅜	92½	104	4½
Allegheny Corp.	56½	17	35¼	5⅝	12⅜	7⅜	11⅞	..
Allied Chemical & Dye	354¾	197	343	170¼	182⅜	153½	172⅜	6
Allis Chalmers Mfg.	75¼	35⅛	68	31¼	42½	32⅞	40⅝	3
Amer. Brake Shoe & Fdy	62	40½	54⅝	30	38	32	36	2.40
American Can	184½	86	156½	104⅝	129⅜	106¼	125⅜	5
Amer. Car & Fdy.	106½	75	82½	24½	38⅜	27	36	6
Amer. & Foreign Power	199½	50	101⅜	25	51⅜	26⅝	47½	..
American Ice	54	29	41⅞	24½	31⅝	23⅜	30	3
Amer. International Corp.	96⅜	29½	55⅝	16	25⅜	18½	24	2
Amer. Mchy. & Fdry	279⅝	142	45	29⅝	41⅞	31	40⅝	1.40
Amer. Power & Light	175⅜	64¼	119⅝	36⅝	64⅝	45	61⅜	1
Amer. Radiator & S. S.	55⅝	28	39⅜	15	19⅞	15½	19	1
Amer. Rolling Mill	144⅝	60	100⅞	28	37⅜	26⅝	34½	2
Amer. Smelting & Refining	130½	62	79½	37½	58½	40½	55⅝	4
Amer. Steel Foundries	79⅞	35⅝	52¼	23½	31⅛	25	27⅞	3
American Stores	514	120	55½	36½	46	37	45	2½

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929		1930		1931		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	2/25/31	Share
A								
Amer. Sugar Refining	94¾	56	69⅞	39¼	57⅛	42¾	56¼	5
Amer. Tel. & Tel.	310⅛	193¼	274¼	170⅜	201½	176¼	199⅜	9
Amer. Tobacco Com.	232½	160	127	98⅛	120½	104	118⅛	6
Amer. Water Works & Elec.	199	50	124⅞	47⅝	77	58⅜	74½	3
Anaconda Copper Mining	140	67¼	81⅛	25	42⅞	29⅜	40⅛	2½
Arnold-Constable Corp.	40⅞	6¼	13¾	3½	7	3⅝	7	..
Assoc. Dry Goods	70¾	25	50⅛	19	28	22	26⅝	2½
Atlantic, Gulf & W. I. S. S. Line	86⅞	32⅛	80⅜	33	39	31	34¾	..
Atlantic Refining	77⅞	30	51⅝	16⅝	23⅝	18	22⅜	1
Auburn Auto	85	40	263⅜	60⅝	215	101½	203⅛	4
B								
Baldwin Loco. Works	66⅝	15	38	19⅝	27⅝	20⅜	26⅝	1⅝
Barndsdall Corp. Cl. A	49⅛	20	34	8⅝	14⅜	11¼	13⅝	1
Bendix Aviation	104⅜	25	57⅜	14¼	25⅛	16⅞	23⅛	1
Best & Co.	60⅞	25	56¼	30⅝	44¾	32¼	43⅛	2
Bethlehem Steel Corp.	140¾	78¼	110¼	47⅝	69⅜	45⅝	67⅜	6
Bohn Aluminum	136⅜	37	69	15¾	35	20¾	34	1½
Borden Company	100⅛	58	90⅜	60⅛	74⅞	67½	74	3
Borg-Warner	86⅞	26	50⅛	15	30⅛	20⅝	27⅜	1
Briggs Mfg.	63⅛	8⅛	25⅜	12⅝	22⅜	16⅛	20⅜	1⅝
Burroughs Adding Mach.	96⅞	29	51⅞	18⅜	32¼	21½	29⅞	1⅓
Byers & Co. (A. M.)	192⅞	50	112⅜	33⅛	69⅜	37⅝	64	..
C								
California Packing	84⅞	63½	77⅛	41¼	53	42⅝	49⅜	4
Calumet & Arizona Mining	136¾	73⅛	89⅞	28⅝	42¼	36¾	41⅛	..
Calumet & Hecla	61⅞	25	33⅜	7¾	11⅜	8	10⅝	..
Canada Dry Ginger Ale	98¾	45	75⅜	30½	39⅝	29⅞	38	3
Case, J. I.	467	130	262¾	83½	131½	81¾	125	6
Caterpillar Tractor	61	50¼	79¾	22	52½	26⅞	48	4
Cerro de Pasco Copper	120	52¼	65⅜	21	30⅛	22½	28¼	2
Chesapeake Corp.	92	42⅛	82⅛	32¼	54½	40	52⅞	3
Childs Co.	75⅞	44¼	67⅜	22⅞	33¾	25½	32¾	2.40
Chrysler Corp.	135	26	43	14⅛	24⅛	15⅞	22⅞	1
Coca-Cola Co.	154½	101	191⅜	133¼	170	142½	169¾	7¼
Colgate-Palmolive-Peet	90	40	67⅞	44	49⅞	47	48½	2½
Colorado Fuel & Iron	78⅛	27¾	77	18¾	37¼	21⅞	29½	1
Columbian Carbon	344	105	199	65¼	111⅝	73½	106⅛	6
Colum. Gas & Elec.	140	52	87	30⅜	44	33¼	43	2
Commercial Credit	62⅝	18	40⅜	15¼	21⅝	18⅛	21	2
Commercial Solvent	63	20⅛	38	14	21½	15⅛	20½	1
Commonwealth Southern	24¾	10	20½	7⅛	12	8	11⅜	.60
Consolidated Gas of N. Y.	183¼	80⅛	136⅞	78¼	100⅞	82½	99¼	4
Continental Baking Cl. A	90	25¼	52⅛	16⅜	29⅜	17⅜	28⅜	..
Continental Can, Inc.	92	40⅛	71⅝	43½	59⅞	47	59⅛	2½
Continental Oil	47⅛	48	30½	7⅜	12	9¼	11⅛	..
Corn Products Refining	126⅜	70	111⅝	65	86⅝	76½	85½	3½
Crucible Steel of Amer.	121¾	71	93⅜	50¼	63	55⅜	60½	5
Cudahy Packing	67⅞	36	48	38¼	46	41	45⅝	4
Curtis Publishing	132	100	126⅛	85	100	89⅞	92	7
Curtiss Wright, Common	30⅛	6⅝	14⅞	1⅜	4⅞	2⅝	4⅞	..
Curtiss Wright, A	37⅞	13¼	19¾	3	7⅛	3⅞	7¼	..
D								
Davison Chemical	69⅛	21¼	43⅝	10	23	13⅛	20⅜	..
Drug, Inc.	126⅛	69	87⅜	57⅝	72¼	61½	71¼	4
Du Pont de Nemours	231	80	145¼	80½	102⅞	83¼	99⅛	4
E								
Eastman Kodak Co.	264¾	150	255¼	142½	185¾	143⅜	180	8
Eaton Axle & Spring	76¾	18	37¼	11⅝	21⅛	13⅜	19¾	1.60
Electric Auto Lite	174	50	114⅞	33	67¼	50⅝	64½	6
Elec. Power & Light	86⅝	29⅛	103½	34⅜	58⅝	38¼	57	1
Elec. Storage, Battery	104⅛	55	79¼	47⅛	65	50⅞	63	5
Endicott-Johnson Corp.	83⅝	49¼	59⅝	36⅞	41	30	36½	5
F								
Firestone Tire & Rubber	37	24⅛	33⅛	15⅛	19¾	17	18½	1
First National Stores	90	44⅛	61⅜	38⅝	53¾	41	51	2½
Foster Wheeler	95	33	104½	37⅛	64½	41⅛	60⅜	2
Fox Film Cl. A	105⅝	19⅛	57⅜	16⅛	38⅜	25⅜	35	4
Freeport Texas Co.	54⅞	23¾	55⅛	24½	42	28½	37⅝	4
G								
General Amer. Tank Car	123½	75	111⅞	53⅛	73	57⅜	73	4
General Asphalt	94¾	42¼	71⅛	22⅜	45⅛	24¼	41¾	3
General Electric	403	168⅛	95⅜	41⅛	54	41⅜	52¼	1.60
General Foods	81¾	35	61¼	44⅜	55	47⅜	54	3
General Mills	89⅛	50	59⅛	40⅛	48¾	44	47	3
General Motors Corp.	91¾	33⅛	54¼	31⅛	45	35¼	43¾	3
General Railway Signal	126⅛	70	106⅞	56	82¼	68	79	5
General Refractories	88⅛	50	90	39	55	40	54¾	4
Gillette Safety Razor	143	80	106⅛	18	34⅞	21⅛	31⅛	4
Gold Dust Corp.	82	31⅛	47⅞	29	39⅜	31¼	38⅜	2½
Goodrich Co. (B. F.)	105¾	28¼	58⅛	15¼	20⅞	15¼	18⅜	..
Goodyear Tire & Rubber	154½	60	96⅞	35⅝	52¾	38⅜	49	5
Granby Consol. Min., Smelt. & Pr.	102⅞	46¼	59⅞	12	22⅜	15⅛	20⅜	2
Grand Union	32⅞	9⅛	20⅜	10	16⅝	10⅝	15⅜	..
Great Western Sugar	44	28	34⅛	7	11⅞	7⅜	9⅜	..
Gulf States Steel	79	49	80	15	37⅛	18⅝	33	..
H								
Hershey Chocolate	143⅞	45	109	70	97	87	94	5
Houston Oil of Texas	109	26	116⅞	29¼	68½	35¼	68¾	..
Hudson Motor Car	92½	38	62⅞	18	26	18⅝	21¼	1
Hupp Motor Car	82	18	26⅝	7⅛	13⅛	7⅜	12	..
I								
Inland Steel	113	71	98	58	70⅝	59¾	70	4
Inter. Cement	102¾	48	75⅜	49⅛	62½	49⅜	59¼	4
Inter. Harvester	142	65	115¾	45¼	58½	48	57	2½
Int. Match Pfd.	102⅛	47	92	52¼	68	55	65½	4
Inter. Nickel	72¾	25	44⅜	12⅜	20⅛	13⅞	18½	.60
Inter. Paper & Power "A"	112	57	31⅛	5⅛	9⅛	6⅞	8½	..
Inter. Tel. & Tel.	149¼	53	77⅜	17⅛	38¾	18¾	36	2
J								
Jewel Tea	84⅛	45	68½	37	57½	39¼	55	4
Johns-Manville	242⅞	90	148⅜	48¾	77⅞	58⅛	72¾	3
K								
Kennecott Copper	104⅞	49⅝	62¾	20⅛	31½	28⅛	29⅝	2
Kresge Co. (S. S.)	57⅛	28	36⅛	26⅛	27⅞	25	27¼	1.00
Kreuger & Toll	46⅝	22¼	35⅜	20⅜	25¼	20⅞	24⅞	1.00
Kroger Grocery & Baking	122¼	33¼	48⅛	17⅛	28⅝	18	27⅝	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 2/25/31	Div'd $ Per Share
L								
Lambert Co.	157¼	80⅛	113	70⅝	86¾	77½	84	8
Lehn & Fink	68½	28	36	21	33	24	32⅛	3
Liggett & Myers Tob. B	106	80¼	114⅝	78¼	91⅜	83	89¼	5
Liquid Carbonic	113⅞	40	81⅞	30	55½	41⅝	53¼	4
Loew's, Inc.	84½	32	95⅝	41⅜	62½	45¼	58⅞	3
Loose-Wiles Biscuit	88⅝	39⅛	70¼	40¼	54¾	49⅝	54	2.70
Lorillard	31½	14¼	26⅛	8⅝	18⅛	11⅜	17⅛	..
M								
Mack Truck, Inc.	114⅝	55⅛	88⅛	33⅝	48⅞	35¾	42	4
Macy (R. H.)	255⅛	110	159⅛	81⅝	101½	83	100	3
Magma Copper	82½	35	52½	19¼	27⅝	20¼	26	3
Marine Midland	..	..	32½	17⅝	24¼	19⅝	23¼	1.20
Mathieson Alkali	72⅝	29	51⅝	30⅝	31½	26⅛	27⅝	2
May Dept. Stores	108½	45⅛	61⅜	27⅝	35⅞	26⅝	34⅞	2½
McKeesport Tin Plate	32	54	89½	61	85¾	71½	84½	4½
Mont. Ward & Co.	156⅞	42⅝	49⅝	15⅛	29	15¾	29	..
N								
Nash Motor Co.	118⅞	40	58½	21¼	38¾	27¼	36⅝	4
National Biscuit	236⅜	140	93	68⅝	83⅜	76	81	2.80
National Cash Register A	148¾	59	83½	27⅝	38	29	36½	3
National Dairy Prod	86½	36	62	35	47½	38¼	45⅞	2.60
National Lead	310	129¼	189½	114	132	118½	130	5
National Power & Light	71⅜	23	58⅝	30	44¼	31⅝	41⅜	1
North American Co.	186⅝	66½	132⅞	57⅛	89⅝	62	87½	§10%
O								
Otis Elevator	55	22¼	80⅝	48¼	58½	52¼	57¼	2½
Otis Steel	55	22¼	38⅞	9⅛	16	10	15⅛	..
P								
Pacific Gas & Electric	98⅝	42	74⅞	40⅛	50⅝	45¼	50	2
Pacific Lighting	146½	58⅛	107⅞	46	65¾	50¼	64	3
Packard Motor Car	32½	13	23⅝	7⅛	11⅞	8¾	11½	.60
Paramount Publix	75⅛	35	77⅛	34⅝	50¼	36⅝	47	4
Penney (J. C.)	105⅛	66	80	27⅝	39⅝	28⅛	37	3
Phillips Petroleum	47	24⅛	44⅝	11⅛	16⅝	12¼	14½	2
Prairie Oil & Gas	65⅝	40⅛	64	11¼	19¼	12⅜	18⅜	2
Prairie Pipe Line	65	45	60	16⅝	26½	17⅞	25	3
Procter & Gamble	98	42⅛	78⅞	52⅝	70⅝	63	70	2.40
Public Service of N. J.	137⅜	54	123⅜	65	89¼	78	86⅞	3.40
Pullman, Inc.	99¼	73	89⅝	47	58	49¾	53⅜	4
Pure Oil	30⅜	20	27¼	7⅝	11⅞	8⅜	10⅝	..
Purity Bakeries	148⅝	55	88⅞	38	49½	38	48	4
R								
Radio Corp. of America	114¾	26	69⅝	11⅝	27½	12	20⅛	..
Radio-Keith-Orpheum	46⅞	12	50	14⅝	20⅝	15¾	22½	..
Remington-Rand	57⅜	20⅝	46½	14⅛	19⅛	15⅛	18	1.60
Republic Steel	146¼	62⅛	79½	10⅛	25⅝	12	23½	..
Reynolds (R. J.) Tob. Cl. B	66	39	58⅝	40	48	40⅜	47⅞	3
Royal Dutch	64	43⅛	56⅛	26⅝	42⅝	37¾	40	1.34
S								
Safeway Stores	195¼	90⅛	122⅝	33⅝	63	38⅝	59⅝	5
Sears, Roebuck & Co.	181	80	100⅝	43⅛	62⅝	44⅞	62⅝	2½
Shell Union Oil	31⅜	19	25½	5¼	10¼	7⅝	9½	..
Simmons Co.	188	69⅛	94⅞	11	21	14⅝	20⅝	..
Sinclair Consol. Oil Corp	45	21	32	9⅝	14⅝	10⅛	•14⅛	1
Skelly Oil Corp.	46½	28	42	10⅛	12⅞	8½	9⅞	..
So. Cal. Edison	93¼	,45⅛	72	40¼	58¼	45⅝	52¾	2
Standard Brands	44¾	20	29¼	14⅛	20½	16¼	20	1.20
Standard Gas & Elec. Co.	243⅜	73½	129¼	53⅛	84⅞	58	82½	3½
Standard Oil of Calif.	81⅞	51⅛	75	42¼	51⅜	45⅛	49	2½
Standard Oil of N. J.	83	48	84⅞	43⅛	58½	45¾	50⅜	2
Standard Oil of N. Y.	48⅛	31¾	40⅝	19⅜	26	22½	25	1.60
Stewart-Warner Speedometer	77	30	47	14⅜	20⅝	14½	18⅛	..
Stone & Webster	201½	64	113⅜	37⅛	40⅞	37⅝	47	3
Studebaker Corp.	98	38⅛	47⅛	18⅛	25⅝	20¼	23⅞	1.20
T								
Texas Corp.	71⅞	50	60⅛	28⅛	36¼	30⅛	34⅝	3
Texas Gulf Sulphur	85¼	42⅛	67⅝	40¼	55¾	45⅜	54⅝	4
Tide Water Assoc. Oil	23½	10	17⅜	5⅞	9	6⅛	8¼	.60
Timken Roller Bearing	139⅝	58⅛	89¼	40⅛	59	43	56⅛	3
U								
Underwood-Elliott-Fisher	181⅜	88	138	40	71¾	51⅛	70⅝	5
Union Carbide & Carbon	140	59	106⅝	52½	72	55½	69½	2.60
United Aircraft & Trans.	162	31	99	18⅝	36½	28½	34¼	..
United Corp.	75⅛	19	52	13⅞	25¾	16⅛	26	.75
United Fruit	158½	99	105	46⅛	62⅜	51¼	69⅝	4
United Gas Imp.	59⅝	22	49⅝	24¼	34	27⅝	32⅞	1.20
U. S. Industrial Alcohol	55⅞	12	139⅝	50⅛	77⅜	54	77	6
U. S. Pipe & Fdy.	243⅝	95	38⅛	18⅛	34¾	27⅝	33½	2
U. S. Realty	119½	50⅛	75⅛	26	34⅞	76⅛	32¼	3
U. S. Rubber	65	15	35	11	17⅛	11¾	15⅞	..
U. S. Smelting, Ref. & Mining	72⅞	29⅞	36⅛	17½	28⅝	18½	22	1
U. S. Steel Corp.	261¾	150	198¾	134¾	150⅛	137⅞	146½	7
V								
Vanadium Corp.	116⅛	37½	143¼	44⅝	75¼	45⅛	70⅝	3
W								
Warner Brothers Pictures	64½	30	80¼	9⅝	20⅝	13	16¼	..
Western Union Tel.	272¼	155	210¾	122⅛	150⅝	130	145	8
Westinghouse Air Brake	67⅜	26½	52	31¼	36⅛	33	35⅛	2
Westinghouse Elec. & Mfg.	292⅝	100	201⅛	88⅛	107⅝	82⅝	104⅞	5
White Motor	53½	27¼	43	21⅝	26¼	29	24½	2
Woolworth Co. (F. W.)	103⅞	52¼	72⅜	51½	65	54⅝	64	2.40
Worthington Pump & Mach.	137⅜	43	169	47	106⅝	59⅝	90⅝	..
Y								
Youngstown Sheet & Tube	143	81	150¼	60½	77	73	76½	5

† Bid Price. § Payable in stock.

"Tips on Books"

BOOK REVIEW SECTION of THE MAGAZINE of WALL STREET

FINANCE · ECONOMICS · TRAVEL · FICTION · BIOGRAPHY

WHAT THE FIGURES MEAN

By SPENCER B. MEREDITH

Financial Publishing Co.

HERE is a book which should be helpful to the man who prefers to act as his own statistician. In the brief space of 77 pages, it takes up one by one the numerous items likely to be encountered on the average balance sheet and defines them in a manner which should be satisfactory even to one who has no knowledge of how the accounts originate. It should not be mistaken, however, as an elementary course in accounting. It is no more that than the dictionary is a course in grammar, but it is an excellent supplementary text.

The material was first prepared by the author, a member of the American Statistical Association, as a series of talks to salesmen of one of the leading New York investment houses, and for this purpose is said to have proved eminently practical.

Each account is given at least two pages of description, written in language understandable to the layman. *Book value* and other terms pertinent to balance sheet items are also discussed. In this connection, it is to be regretted that the author did not give some space to such expressions as *net worth* and *capitalization* which, while clear enough in the mind of the accountant, always seem to be the cause of much confusion to the average investor.

The income statement is also discussed but in less detail than the balance sheet.

Finally—and this seems by far the most important feature of the book—the author presents a series of average ratios based on a study of 515 companies in 32 industries. While ratios are certainly not the only means of measuring the financial position of a company, they are coming to be considered of increasing importance in determining that company's standing in relation to the industry as a whole. The presentation, then, of a series covering such a wide range should be of considerable value to the investor and should aid him in comparing the position of his company with that of its competitors. M. S. D.

TWO THIEVES

By MICHAEL KOMROFF

Coward-McCann, Inc.

FOR nearly two thousand years the memory of two thieves has been kept alive for us by the coincidence of their deaths with the Crucifixion on Calvary. It has been left for Michael Komroff to see the dramatic possibilities latent in these two characters about whose actual lives so little is known and to make of them a colorful fantasy.

Barzor, an Arab, whose infant son was slain by the soldiers of Herod and whose whole family suffered because of his persecutions, has long held a great hatred for the Jewish king. Rongus, his Jewish slave, who as a prisoner of the Romans, was rescued by Barzor from the tortures of Marcus Sulla, bears an equal hatred toward the Romans. Together they plot to save Judea for the future by pitting Caiphas against Pontius Pilate. It is a cunning structure that they build—or rather that Barzor builds, for Rongus carries out the other's bidding—but at the end, it crashes, covering them with its ruins, and Barzor and Rongus pay for their trickery on Calvary's hill.

Contrary to the treatment one might expect, the author has elected to deal with his subject in a light manner. The episode in which Marcus Sulla is reduced from a lordly general brandishing his whip over the road workers to a chagrined and embittered man minus his horses and chariot and even his teeth is fraught with humor approaching the Rabelaisian. Only occasionally do we catch glimpses of the impending tragedy so near at hand whose background the two rogues are to supply, and this through the eyes of a blind boy who is searching for one who can give him sight.

To a reader of *Coronet*, *Two Thieves* may be somewhat of a disappointment. It lacks the depth and smoothness of its predecessor but it does carry realism to that past age. Though its characters lack that quality which breathes life into children of imagination, the scenes themselves are produced with all the artistry of an old master.

M. S. D.

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Corn Prod. Refining Co.	Dividend	3-27
Cudahy Packing Co.	Dividend	3-20
Eaton Axle & Spring Co.	Dividend	3-26
Fox Film Corp.	Dividend	3-17
Gold Dust Corp.	Dividend	3-25
Hershey Chocolate Corp.	Dividend	3-24
Inter. Tel. & Tel. Corp.	Directors	3-12
Kansas City Southern Ry. Co.	Dividend	3-18
Magma Copper Co.	Dividend	3-19
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How Silver's Decline Affects the American Pocketbook

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tically all other items in China's export list accounts for most of China's trade depression. Nor is it probable that the immediate effect upon American and other world trade of China's rehabilitation would be anything like so great as that generally anticipated. The actual loss in American exports to China in 1930 as compared with 1929 was about 45 million dollars or a little less than 29 per cent of the 1929 record. This loss was roughly 3.6 per cent of the total fall in American exports and slightly less than the percentage of loss in exports to Latin America. At least 75 per cent of this decrease in our trade to China is accounted for by the decline in commodity prices and the general decline in American exports. Admitting that in such times as these every little helps and that the rehabilitation of China would react favorably on the trade of other countries and thus eventually upon American trade it does not yet appear that the total result would have any material effect upon American trade, unless and until world price levels are restored—in which event the former trade level would be automatically resumed.

Plight of Silver Producing Interests

The effect of the collapse in silver prices upon silver producing countries is perhaps more serious, especially in the case of nations such as Mexico in which silver forms so important a part of national production. More than 80 per cent of the silver produced at the present time is a by-product of the production of copper, lead, zinc, and combination base metal ores. In 1929 silver produced over one-tenth of the total income from these combination ores. This silver content is always an important and often a controlling feature in the profits of base metal mining and where the price of silver falls so low that profits in mining disappear the result is not only a loss in the purchasing power of the nations depending upon silver but also the closing down of mines resulting in unemployment and the general paralysis of the industry. It is probable that these indirect effects of the low price of silver upon the mining industry in the United States, Canada, and in silver producing Latin-American countries in the long run are more serious to American trade than the monetary situation in silver using countries. Inasmuch as the United States has close to 1,200 million dollars invested in mining enterprises in other countries, a large part of which is concerned in the production of silver in association with base metals or gold, the price of silver is of material importance from an American investment standpoint.

It was naturally to be anticipated, of course, that the price of silver would decline in harmony with the general decline in commodity prices the world over but the decline in the white metal's value has been much greater than the general commodity decline and has been due to special causes, chief of which has been a decreasing use of the metal for monetary purposes. Undoubtedly the present situation is due primarily to the action of the Indian government in 1926 in shifting from a silver rupee to a gold exchange basis for Indian currency. This action not only forecast a decreased demand for the metal for coinage purposes in India itself but also forecast a dumping upon the market, potentially at least, of over 400,000,000 ounces of the metal in the ensuing ten years. While up to last accounts only 83,000,000 ounces of this silver had been sold, the Indian government is behind its schedule of sales and the pressure of so great a stock of silver ready to be thrown upon the market in secret sales has had a constantly depressing effect. The shift of Indo-China from a silver to a gold basis early in 1930 added to the depressing effect while in the past few years tons of silver have been thrown on the market by Great Britain, France, Belgium and other nations as a result of the debasement of their subsidiary coins or the substitution of paper or base metal fractional currency for silver. Nevertheless the price of the metal bore up rather well so long as China was in a position to buy and in spite of civil war, increasing indebtedness, disorder and other interference with production China continued to buy well through 1929. With the advent of world depression and its gradual accentuation in 1930, however, China not only ceased buying in normal volume but silver stocks in Shanghai were greatly augmented by consignments from the interior of the country sent for safety's sake. With production continuing in only slightly decreased volumes and with constant addition to stocks from other sources the present collapse has become inevitable.

Possible Course to Recovery

Tracing down the causes of the present depression in the metal in this manner, there may be indicated, by reversing the process, the only way out,—if any. Under present conditions any improvement in the silver market most come from an increased demand and take off in China and this is possible, primarily, only by enabling China to increase its exports not only for the purpose of enabling it to buy silver and other foreign products but also to avoid the sale of silver to meet the demands upon it for gold, exports of which have been a feature of the country's international finances during the past year. The next step in the process naturally would be to stop the debasement of subsidiary coins in Europe and, if possible, induce European nations to use more silver in their currency.

A further step would be to induce the government of India to reduce the gold parity of the rupee from thirty-six cents to the old rate of thirty-two cents and thus reduce the demand upon it for gold exchange which has made the sale of silver imperative. Back of all these steps to partial recovery, retracing step by step the downward course of the metal, is the old, old question of a return to a bimetallic system, a question mooted these days not so much by "boy orators of the Platte" as by students of finance who fear the inadequacy of the world's gold stocks to meet the increasing demand upon them in the face of prospective reduction in gold production.

In all these discussions there is ever present the fact that the production of silver is only partly subject to the laws of supply and demand. It comes largely as a by-product of the production of other metals and will probably increase as the production of copper, lead, zinc, and their combinations increase to meet world demand whether there is any demand for silver or not. Silver comes, year after year, however unwelcome a guest it may be. On the other hand the demand for and price of silver reacts upon the price,—or at least the cost,—of copper, lead, and zinc and intimately concerns the industry of the world.

As a result such companies as Anaconda, Kennecott, Calumet and Arizona, Magma, Cerro de Pasco, and American Smelting have suffered not only from the decreased revenue from their silver output but from the indirect effect of the low level of this metal on the price of their chief commodity, copper. Many of the gold mining companies are similarly handicapped and genuine relief cannot be expected until some measure of recovery in silver value is experienced.

Consuming industries are to a lesser degree, affected in an opposite manner. That is to say Eastman Kodak, International Silver and various chemical manufacturers can of course acquire their raw material more cheaply and enjoy

the advantage provided they have escaped inventory losses incident to the decline.

Would the proposed international conference for the rehabilitation of the metal have the desired results? Certainly silver is worth an international conference although the prospects for successful results are doubtful. The reasons which have led the Indian government to adopt a gold exchange standard are powerful, however inopportune the time chosen for the change and however unwise the lifting of the rupee's value to 36 cents may have been. The debasement of British and continental coins and the use of base metal or paper circulation in other countries in place of silver have to do with national finance in nations sorely pressed by debts, taxes and the inevitable results of war. Few of them have vital interests in silver production; possible trade benefits by giving up present currency economies are rather uncertain and inchoate; the difficulties of inducing nations with so divergent interests to agree to sacrifices in common are great. Reform by international conference involving separate later action by individual governments with unavoidable political reaction is a slow process at best while in the meanwhile China, the last fortification of the silver cohorts, will slip to a gold standard just as soon as it can find a way to do so.

In any event the first step in any plan for the recovery of the standing of silver is the improvement of political, trade, and financial conditions in China. If silver is what China needs it never has had a better opportunity to buy it at bargain rates than right now. What China needs is not more or higher-priced silver, necessarily, although a return to a more normal value of the metal would be beneficial, but more gold credits obtained by a resumption of more normal exports. With the establishment of stable political conditions and the resumption of normal trade in China will come a normal demand for silver,—not such a demand as will lift the metal out of the morass in which it lies but which will at least be of great benefit in connection with any other increased use of the metal which may be induced by international conference or otherwise.

Among the Low-Priced Shares

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Frank G. Shattuck Co., now selling around $26 a share and paying $1 in dividends, plus extras, an equity in a restaurant chain and candy business may be obtained. It is estimated that the company will show earnings for 1930 between $1.70 and $2 per share on its common stock. Should a chain grocery commitment be desired there is the Grand Union Co. which can be bought for about $15 per share. This company has steadily bettered its position. Total sales for 1930 were about 10% ahead of those for the corresponding previous period and it is estimated that earnings for last year of not less than $2 per share on the common stock will be reported.

The low-priced common stocks already mentioned have all been of a more or less speculative character but should even an exceedingly strong investment issue be desired it also can be obtained in the low-priced field. The General Electric Co. has an issue of "special stock" outstanding in the amount of 4,293,248 shares. This stock has priority over the common as to cumulative dividends at the rate of $0.60 per share per annum and may be redeemed by the company at $11 per share and accrued dividends on 90 days' notice. Earnings on this issue for 1929 were equal to almost $16 per share or about 26 times dividend requirements. It is currently quoted around $12 to yield 5%.

Although a number of issues having widely diverse interests have been mentioned, possibilities in the low-priced field have by no means been exhausted. There are many others. Commonwealth & Southern, selling around $10 a share, Monsanto Chemical at $24, Remington Rand at $16, Standard Brands at $19, to cite but a few of the many possible examples. Indeed, there is such a wide choice that a man having decided upon the type of enterprise and the caliber of security in which he wishes to invest need go no further than the low-priced listed stock field in order to satisfy his every requirement.

Columbia Gas & Electric Corp.

(Continued from page 621)

future earnings of the system. The satisfactory working out of the ambitious extensions into eastern seaboard territory holds promise for greatly enhanced earnings. As previously mentioned, capitalization has expanded in conformity with this rapid development and awaiting realization of earning power on additional facilities, current results are abnormally low and obscure somewhat the longer range possibilities.

The common stock is currently selling for about 40 as against a high last year of 87 and a low of 30⅝. The current price is slightly less than 23 times last year's earnings per share, a liberal valuation in comparison with other utility equities, but reflects un-

doubtedly the greater future prospects of the company. The yield obtainable on the basis of the present $2 dividend is 5%, a suitable return for the average purchaser of stocks who is looking for income as well as possibilities for appreciation. The stock represents an attractive equity in an Eastern super-gas project, in addition to its already well established gas and electric business from its older properties.

Trade Tendencies

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in individual instances this result would still obtain even should the dollar value indicate a decline of nearly 50%. It is apparent then that business still has considerable slack to reel in before any sustained general productive activity will be warranted and it would also appear from the rather poor showing made by the manufacturers that the adverse factor of stocks in consumers' hands had not been exaggerated and is a modern development which must be remembered in the future.

Public Service of N. J.

Public Service Corporation of New Jersey has issued rights to common and preferred stockholders of record January 31 to subscribe for the $5 cumulative preferred and not the common as was erroneously stated in the February 7, 1931, issue of this publication.

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

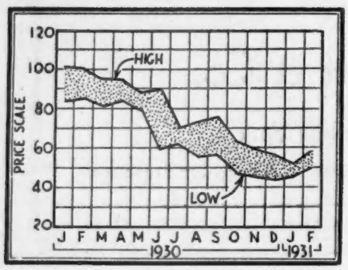
Ann'l Rate		Amount Declared		Stock Record	Payable
$2.00	Amer. Loco. Co.	$.50	Q	3-13	3-31
4.00	Chic. & No. W'n R.R.	1.00	Q	3-2	3-31
2.00	Chile Copper Co.	.50	Q	3-6	3-30
3.00	Columbia Pictures Corp. Conv. Pfd.	.75	Q	2-13	3-9
1.20	Deere & Co.	.30	Q	3-14	4-1
6.00	Int'l Business Mach.	1.50	Q	3-20	4-10
4.00	Jewel Tea Co. Inc.	1.00	Q	4-1	4-15
1.00	Kinney (G. R.) Co., Inc.	.25	Q	3-20	4-1
2.80	National Biscuit Co.	.70	Q	3-20	4-15
2.60	National Dairy Prod.	.65	Q	3-10	4-1
5.00	National Lead Co.	1.25	Q	3-13	3-31
4.00	Paramount Publix	1.00	Q	3-6	3-26
2.00	St. Joseph Lead	.50	Q	3-9	3-20
5.00	Underwood-Elliott-Fisher	1.25	Q	3-12	3-31
2.00	U. S. Pipe & Fdy.	.50	Q	3-31	4-20
4.00	United Strs. Corp. Pfd.	1.00	Q	3-2	3-16
7.00	Worthington P. & M. "A"	1.75	Q	3-10	4-1
6.00	Worth'ton P. & M. "B"	1.50	Q	3-10	4-1

Sears, Roebuck & Co.

(*Continued from page* 627)

very satisfactory manner. At the end of 1930 the company actually was in stronger financial position than at the end of 1929.

Working capital, for instance, stood at $91,917,724 against $85,855,479 the year before, cash and negotiable securities were $27,562,973 against $25,079,585; inventories were reduced to $60,090,365 from $77,937,239; while bank loans likewise were cut down to $17,030,000 from $30,798,000. Total current assets amounted to $134,901,647 against total current liabilities of $32,983,923, indicating a ratio of 4.1 to 1.



The justification of Sears' venture into the retail store field on a large scale, a policy initiated in 1925, was borne out last year. Sales of the retail stores and mail order business naturally dropped off sharply, but the decrease was larger in the case of the latter. During a period of slumping prices, the mail order department is under a handicap because the general catalogues from which rural and other mail customers order do not contain the newer and lower schedule of prices, consequently, during the latter part of their six months' lives they fail to attract business.

The retail stores, on the other hand, need not labor under this handicap as lower prices can immediately be passed on to the customer. The 1930 retail profits actually fell little below the 1929 levels, reflecting in part the aforementioned as well as improvement in operating methods and also a larger number of stores. The large and relatively long-established class A or retail department stores gave a particularly good account of themselves and an increasing number of the smaller class B stores began showing profits during the year.

Sears began slowing down its retail expansion program in May, 1929, and practically brought it to a close in the Fall of that year. The limited expansion last year was mostly in the class C or small tire and radio store, but most of the company's efforts were concentrated on improvement in retail operating methods and results.

The probability of more stable prices this year will aid Sears tremendously, first by aiding sales, especially in rural territory, and secondly, through obviating inventory losses. The purchasing power of the agricultural districts has shrunken a great deal in consequence of the extremely depressed prices for their products and the best that can be hoped for is a gradual improvement. With about half of its sales now being derived from its retail stores, however, many located in or near big industrial centers, Sears is less dependent upon the agricultural districts than previously. As general business takes on a brighter hue, therefore, Sears should experience wider demand for its products.

Gross sales, because of lower prices, may be under those of last year but the margin of profit will probably be well maintained. The gross in 1930 amounted to $390,382,107 and net income $14,308,897, equivalent to $3.01 per share on the common stock, against $6.62 in 1929. The dividend is at the rate of $2.50 in cash and 4% in stock, affording a yield on the stock of 4.3% in cash and 8.3% total on the current price of 58. The outlook for the company is favorable and the stock is entitled to favorable consideration over the longer period.

Who Own the Railroads?—the Public

(*Continued from page* 619)

going figures and assertions, undoubtedly some one will repeat the familiar question, "Who owns the railroads?" Again the answer must be, "The people," in spite of all the millions of stock held otherwise. Remember that the 160 Class I railroads of the United States have in the neighborhood of 840,000 stockholders, most of whom are individuals with a few shares each.

The Big Holders

Among the other salient features of the report as to "the manner of control exercised over 160 railroad companies" are the following: "13 of these companies, with less than 3,300 miles in operation, are controlled by industrial corporations; 31 companies, with an aggregate of nearly 30,000 miles, are controlled by individuals or families; control of most of these 30,000 miles is with the Van Sweringens. 32 railroads, with 47,000 miles operated, have their securities held in large part by one or more interests; 62 railroad companies, with a total of over 146,000 operated miles, show no marked concentration of ownership."

Especial attention is directed by Mr. Parker to a feature of the report of his committee that never has received general comment. The I. C. C. general consolidation plan of December, 1929, provided for 19 geographical groups for all the railroads or the United States. Mr. Parker said, "Some people have wondered why the Commission did not recommend more systems. The report reveals that 15 major groups now control 210,000 miles, or nearly 85% of the railway mileage of the entire country." These groups are the leading railroad systems as now constituted, *but their shares are widely distributed among the people.*

That the steam railroads of this country make up one of its greatest enterprises, in spite of all their handicaps in recent years, is a fact that their 840,000 owners should bear constantly in mind, and is clearly established by the following figures in the House Committee report: As of December 31, 1921, 160 Class I Railroads operated 242,000 miles of road. Gross capital approximately $23,800,000,000; operating revenues $6,280,000,000; operating expenses over $4,506,000,000; wages about $2,897,000,000; taxes $397,000,000; interest approximately $500,000,000. Mr. Parker most fittingly observed that "these figures emphasize the importance of the railway systems to the American people."

The foregoing gives a rough idea of how American railroads are owned and controlled, without special reference to holding companies. As they really caused the investigation and report with which we are dealing to be made, and as the shares of three of those companies with which Congress and the I. C. C. are most vitally concerned —Alleghany, Pennroad and Chesapeake Corp.—are widely held, special consideration should be given to their position, as disclosed by the report. The importance attached to them by the House Committee is clearly shown by the fact that of the 1742 pages in its entire report they occupy 698. Owners of these shares and bonds are most interested right now as to whether if the I. C. C. gets control of the holding companies they will be wiped out or regulated, as the railroads are. In this connection listen carefully to what Chairman Parker said in presenting his report. He admitted that the investigation by his committee included the getting of "an expert opinion by an eminent economist as to whether the holding company in the railway field should be outlawed or regulated." "For the consolation of owners of holding company shares," he

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of February 26, 1931

Name and Dividend	1931 Price Range High	1931 Price Range Low	Recent Price
Aluminum Co. of Amer.	178	140⅛	168
Aluminum Pfd. (6)	109¼	106¾	109¼
Amer. Cyanamid "B"	12¾	7⅝	11⅝
Amer. Gas Elec. (1)	97⅛	70⅛	85
Am. Lt. & Traction (2½)	51	43	50¼
Amer. Superpower (.40)	17¼	9⅝	16⅝
Assoc. Gas Elec. "A" (2)	22⅞	17⅛	22⅛
Brazilian T. L. & P. (8%)	27⅝	21	26⅛
Central States El. (Stk. 10%)	12⅛	9	11⅞
Cities Service (.30)	20¾	15	19¾
Cities Service Pfd. (6)	84¾	79¾	84⅝
Comwlth Edison (8)	256¾	221	256
Cons Gas of Balt. (3.60)	101	82	100¾
Consolidated Laundries (1)	15	10	14⅛
Cord Corp.	11⅞	5⅞	11⅛
Cosden Oil	3⅜	2⅛	3
Deere & Co. (1.20)	44¾	33⅛	40⅞
Durant Motors	2⅜	1¼	2
Elec. Bond Share (6% Stk.)	61	40	59⅛
Fort Motors of Can. A (1.20)	28⅞	21⅞	28
Ford Motors of France (.28)	9⅞	7⅛	9⅛
Ford Motors, Ltd. (.37½)	19⅞	14⅞	17¼
Fox Theatre A	6⅛	4⅛	5⅛
General Baking	1⅜	½	⅝
General Baking Pfd. (3)	35	27	28½
Gen. El. Ltd. rcts, Eng. (.70)	11⅜	10⅜	11
Glen Alden Coal (8)	60	50	51
Goldman Sachs T.	10¼	5¼	10
Gulf Oil (1.5)	75½	63¾	70¼
Hecla Mining (.40)	7⅛	5⅛	7¼
Humble Oil (2½)	72	57⅝	65
Hygrade Food Products	3¾	2¾	3½
Insull Invest. Inc. (Stk. 6%)	49½	29½	47
Insur. Securities Inc. (.70)	.9¼	6⅛	9

Name and Dividend	1931 Price Range High	1931 Price Range Low	Recent Price
Internat. Pet. (1)	15⅛	13⅛	14⅛
International Utilities B	10⅝	5¼	10⅝
Lone Star Gas (1)	29	24	28¾
Metro Chain Stores	4⅛	1⅜	4
Mid West Util (8%)	24⅞	17⅛	24⅝
Mo. Kansas P. L. (Stk. 10%)	11	5	8⅛
National Fuel Gas (1)	26⅛	21	24⅜
Newmont (4)	58⅝	41⅛	57⅛
Niagara Hudson Power (.40)	14½	9¼	14
Niagara Hud. Pr. A Warr.	3	1¾	2¾
Niagara Hud. Pr. B Warr.	8	5⅛	7¾
Noranda Mines	18⅝	14⅛	18⅝
North. States Power A (8)	138	123⅝	138
North. States Pr. Cum. Pfd (6)	98¼	95¾	98¼
Novadel-Agene (4¼)	51⅜	38⅛	50
Pennroad Corp. (.20)	8⅛	6⅛	7⅞
Ruberoid Co. (4)	37¾	34	35
Safety Car & Heat. (8)	90¼	81	83¼
St. Regis Paper (1)	19⅝	13¾	18⅜
Salt Creek Producers (2)	7¾	6⅛	7
Stand. Oil Ky. (1½)	23⅝	20⅝	23
Stand. Oil-Ohio (2½)	62½	49⅝	54¼
Standard Oil of Ind. (2)	38⅛	34½	34⅝
Stutz Motor Car	25¾	18⅛	23¾
Transcontinental Air Trans.	6⅛	3⅝	5⅜
Trans Lux	9⅞	6⅝	8⅛
Tubize Chatel "B"	16	3⅝	11⅛
Ungerlieder	29	21⅛	28
United Lt. & Pow. A (1)	33⅞	23	32⅞
United Lt. & Pow. Pfd. (6)	103¼	94¾	103½
United Gas Corp.	11⅞	7⅜	11¼
Utility & Indus. Corp.	9½	5¾	9½
Utility Pow. & Lt. (1.02½)	14½	9	14¼
Vacuum Oil (4)	69¾	52⅝	65

added, "it seems clear to me that you [Congress] have the power to correct the abuses, to remedy the evils, to subject the holding company to reasonable regulation without being reduced to the necessity of destroying it."

This means that if Congress and the I. C. C. agree with Mr. Parker, railroad holding companies will be permitted to continue their existence, but it does not follow that if the I. C. C. gets control of them they will be allowed to hold all the railroad stocks that they now have in their portfolios.

The very next day after Mr. Parker submitted the report of his committee to the House he introduced a bill to give the I. C. C. authority over railroad holding companies. The measure was taken up briefly in committee, but that was all that was done before adjournment of Congress. The committee may hold hearings during the Summer. Extended discussions is likely when the increase comes up in the House.

There would not seem to be any good reason for selling shares of railroad holding companies just now.

It is in order to note the holdings of the principal railroad holding companies and the extent to which those holdings represent control of individual railroads and the railroads of the United States taken as a whole. While they are large enough for control of some individual companies they by no means represent control of all the railroads.

The principal holdings of four of the leading holding companies are given in accompanying tables.

New Mass Distribution Must Rescue Mass Production

(Continued from page 607)

posedly restricted purchases was hardly 1½% less than during the year 1929, which was about the same as 1928 in retailing.

This was not true of specialty stores, many of which reported decreases in dollar-sales of 15% to 25%, but here again there was a correspondingly greater decline in retail prices. All retail sales figures in department stores and the general merchandise chains, during the early months of 1931, should be read with the fact in mind that any decrease less than 12% to 15% in dollars means an actual increase in the quantity of goods sold.

Chains in the general merchandise field fared about the same as did the department stores of equal management efficiency. In both types of organization there were brilliant exceptions to the average record of performance, and in the chain field most companies added units whose sales helped the comparative showing. (See table.) Study of the figures, and first-hand knowledge of the conditions, coincide in the conclusion that no one price-class showed a pronounced advantage over another price-class in the matter of relative sales volume or in the matter of earnings, dissipating the belief that in hard times people turn to the cheaper stores. What they want is the same grade of commodities, at the lower price levels, from the *same* stores.

The department stores and the chains which made the best showing in 1930 were those which had the best managements in 1930 and which had made the best preparations during the year or two preceding. About the only exceptions were those stores which were so unfortunate as to be located in cities which depended largely upon industrial payrolls and tourist trade, in which case the best that good management could do was to limit losses and conserve good-will. The accompanying tables provide interesting confirmation of these general conclusions.

Old vs. New Outlets

It seems likely that, as between the two alternatives of reconstruction of existing agencies of distribution on the one hand, and creation of new agencies or new methods on the other hand, the existing agencies have the advantage. Looking them over as individual companies or individual stores, we face the triple question of how, when and whether this one or that one will reconstruct its methods of merchandising and its management policies—how, when and whether it will even survive the insistent and fundamental changes which retailing must face within the next few years. But as a whole, it is a safe deduction that the present forms of retail distribution will survive with little outward change.

The outstanding stores and the well-established chains now in the field are managed by a type of chief executive which is equalled but not surpassed by the best brains in the manufacturing, transportation and banking fields. They are equal to any demands which changing conditions may make upon them—as a group, that is. Individual stores and companies must be excepted, for there is yet a good deal of "familyitis" or what one leading retailer calls "Crown Prince Management" in retail institutions, which must work itself out before such concerns can be classed as attractive investments.

Retail securities are more or less under a cloud at present, and that is one reason why they are worth looking into. They have been, with few excep-

BUILDING AND LOAN ASSOCIATIONS

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, February 16	85.17	182.88	110.15	165.14	161.52	3,154,090
Tuesday, February 17	85.06	179.55	109.42	165.39	160.90	4,004,000
Wednesday, February 18	85.16	181.10	109.52	164.98	161.34	2,842,146
Thursday, February 19	85.25	184.46	110.33	165.63	162.70	2,484,550
Friday, February 20	85.29	188.22	110.24	168.26	165.51	3,834,955
Saturday, February 21	85.37	191.32	111.53	170.15	167.19	2,434,740
Monday, February 23		HOLIDAY — EXCHANGE CLOSED				
Tuesday, February 24	85.41	194.36	111.58	173.07	168.95	5,300,020
Wednesday, February 25	85.34	190.72	110.83	172.22	167.99	4,388,942
Thursday, February 26	85.35	192.23	110.97	172.39	168.22	4,619,099
Friday, February 27	85.30	190.34	110.79	171.33	167.77	3,713,244
Saturday, February 28	85.27	189.66	109.99	168.60	166.10	1,748,170

tions, thoroughly deflated. Common stocks of the leading stores and chains have wilted with little intervening stimulus to a little more than one-third of their 1929 levels. There was a semblance of recovery last spring, a recession, and then a more substantial gain recovery in early summer. The same thing, undoubtedly, will happen this year.

Following last summer's recovery, there was a sharp decline to depths even below the sub-cellar, influenced probably by sharp recessions in retail commodity prices. That the drop to such levels is not justified is well illustrated by the earnings statements which have been made public to date, showing no such loss in profits as was anticipated, net worth at present price levels well above the current market quotations, and a stronger cash position than ever before.

Replacement prices of manufactured products seem to have reached bottom, and are even starting to rise in some lines. Stocks of merchandise are 'way below normal, and buying to round out depleted stocks is already under way. Unless the equilibrium is upset, retail prices are scraping bottom right now, for the competition for sales volume lately has caused them fully to reflect current levels of producer prices. It would seem, then, that there is every likelihood of increased earnings in 1931, and no justification for a drastic reaction in retail securities, or store stocks, this summer such as was experienced following the early summer advance last year. In addition, there is at least a 25% margin between present quotations and the average that prevailed during the first half of 1930.

When conditions become normal, there will recur with greater emphasis than ever the demand upon distribution to provide as unobstructed channels as possible, for the flow of mass quantities of manufactured goods into the hands of consumers. Retailers cannot avoid the issue, nor can the function of retailing be eliminated. It is possible that some new type of retail organization, different in its essentials from the types now found in the field, will emerge. It is much more likely that the present types will gradually change their methods and management policies to meet the ever-increasing demand, and that the changes will permit the preservation of at least the likeness of these present types—the independent stores, the groups and the various classes of chains—and in most cases the present institutions. In the process of enforced change, a great many sound institutions will emerge bigger and better than ever, especially from the investor's point of view, and others of inadept management will fall by the wayside.

It is our purpose in the concluding article, to appear in the ensuing issue, to describe some of the new trends that are developing in at least four distinct sections of the retail field, and to show how these all point to the same conclusion. We discuss some of the problems facing the chains, the department stores and the independent retailers, the upset in the mail-order business, the pros and cons of the abnormally low inventory condition throughout the retail industry and the likelihood of early resumption of consumer-buying, both in casual or essential merchandise and in luxury or non-essential merchandise.

Tables accompanying the current article contain such earnings statements as were available in February. Supplemental tables will accompany the concluding article, bringing the information up to that later date.

An Argument Against "Stock For Long Term Investment"

(*Continued from page* 631)

at low prices! In this way you reap a profit going and coming, and receive a good return in the way of bond coupons, in the meantime!

It looks simple, and it is. During times of depression, such as have just passed, good stocks should have been accumulated. They should be put away for safe-keeping. They should be watched, through the medium of a good financial periodical, and also, if possible, through an analytical organization. As the general price level reaches a high elevation, stop-loss orders should be placed somewhat below the market, where they are not likely to be caught by reactions, but where they will protect against a real crash. As the market rises, push up the stop-loss selling prices, also. *Never* lower it again. If you are sold out, bank the money for a time. When the final frenzied stages of the bull market have apparently arrived, sell out everything. At least, sell half of your holdings. Keep the stop-loss orders on the rest. Don't buy in again; bank the money, and leave it there for the duration of the bull movement. It would be best to sell everything, and forget possibly greater profits you might have made. It is a time of peril: better to be safe.

Then wait for the inevitable crash. Take *no* one's advice that it won't come. It will.

When it does, buy good bonds. Buy carefully, for a critical period for business is ahead. Then wait.

When bond prices have risen, and the depression seems to have run its course (watch the financial magazine for high grade opinions as to this), sell the bonds, and accumulate well chosen stocks.

You will now have completed a full cycle, and if you have acted with intelligence, with patience, with stamina, and with due caution, a very material increase in the worth of your holdings must be the inevitable reward.

World Prosperity Waits On Our Recovery

(*Continued from page* 604)

precedes a domestic revival, or vice versa, we are on difficult ground. The rise from the depressed period of domestic trade in 1893 to 1898 was led by foreign trade. The latter began to revive in 1896 and was going strong through 1897 and 1898, whereas the floodtide of domestic prosperity was not reached until the first part of 1900. Thereafter it steadily gained, on the whole, and gave no forewarning of the depression of 1907-08. Foreign trade boomed cumulatively after the World War, and the year of the 1920 collapse saw it at its all-time climax. In 1929 foreign trade began to reveal real recession soon after the domestic recession had begun but, as a whole, 1929 was the best foreign trade year we ever had except 1919 and 1920.

We were back into prosperity in 1923 but in 1922 only in imports was the volume of foreign trade barometric of good times. Again, there was no recession of foreign trade in 1925 and 1926 to warn us of the minor depression of 1927. We can, however, reasonably infer from the record that the United States can easily start on the upward path without the help of expanding foreign trade. Owing to the profoundly different position of the United States with relation to the foreign world since the war, it having become the world's leading trader and also the chief creditor nation in current transactions of not in total, it is not too much to say that we have now become the power house of the international business line. World depressions are likely normally to have their ultimate causes as well as the beginnings of their ends with us.

The facts of history and of present position tend to the conclusion that the practical unanimity of opinion at home and abroad that the detonation that is to set off the next burst of world prosperity will be in the United States is well founded. Wall Street's collapse in 1929 proclaimed the end of the great world cycle that began in 1921, and it will probably fall to Wall Street to run up the signal for full speed ahead in the new cycle. But before the signal is given steam will have been long accumulating in the boilers of the power house of the line—the good, old U. S. A.

Dividends and Interest

Facts, News and Comments

The City Bank Farmers Trust Co. is back on familiar ground. It has recently moved from temporary quarters to its new 54-story skyscraper on the block bounded by William Street, Exchange Place, Hanover and Beaver Streets, New York, where prior to its affiliation with the National City Bank of N. Y. in 1929, it operated as the Farmers' Loan and Trust Co.

* * *

An argument supporting the theory of common stocks as long term investments might be found in the recent report of the Sun Life Assurance Co. of Canada which has long been a consistent investor in high grade common stocks. Valued as of December 31, by the Canadian department of insurance, the company's holdings of common stocks show a substantial excess over cost, even at the low prices prevailing at that time. Or perhaps this phenomenon is merely another indication of the investment sagacity of the company.

* * *

Frank T. Hulswit, president of the American Commonwealths Power Corp., recently stated that his company is concentrating on more efficient operation and more intensive development of the territory already served rather than on the purchase of additional properties. It would seem to be a very profitable plan if the company's record earnings in 1930 can be attributed to it.

* * *

Ernst & Co. recently announced that in addition to the memberships the company holds on the New York Stock and Curb exchanges, it has become associated with the Chicago and Cleveland stock exchanges.

FINANCIAL NOTICES

Dividends and Interest

DIVIDEND NOTICES

UTILITIES POWER & LIGHT CORPORATION

(For quarter ending March 31, 1931)

7% Cumulative Preferred Stock

Quarterly dividend...$1.75 per share
Payable on ....April 1, 1931
To stockholders of record Mar. 5, 1931

Class A Stock

Quarterly dividend.....50c per share
Payable on ....April 1, 1931
To stockholders of record Mar. 5, 1931

Stockholders have right and option to accept, in lieu of their cash dividend, 1/40th of a share of Class A stock for each share held.

Class B Stock

Dividend for quarter...25c per share
Payable on ....April 1, 1931
To stockholders of record Mar. 5, 1931

Stockholders have right and option to accept, in lieu of their cash dividend, 1/40th of a share of Common stock for each Class B share held.

Common Stock

Dividend for quarter...25c per share
Payable on ....April 1, 1931
To stockholders of record Mar. 5, 1931

Stockholders have right and option to accept, in lieu of their cash dividend, 1/40th of a share of Common stock for each share held.

As to the Class A, Class B and Common Stocks, unless by the close of business March 13, 1931, the stockholder advises the Corporation that he desires his dividend in cash, the Corporation will send to him the additional stock (or scrip for fractional shares) to which he is entitled.

GENERAL MILLS, INC.

COMMON STOCK DIVIDEND

March 2, 1931.

Directors of General Mills announced today declaration of regular quarterly dividend of $1.50 per share upon Preferred Stock of Company, payable April 1st, 1931, to all Preferred Stockholders of record at close of business March 14th, 1931. Checks will be mailed. Transfer books will not be closed.

(Signed) D. D. DAVIS, Vice-President.

Eventually GOLD MEDAL FLOUR why not now?

UNDERWOOD ELLIOTT FISHER COMPANY

A dividend of $1.75 a share on the Preferred stock and a dividend of $1.25 a share on the Common stock of Underwood Elliott Fisher Company will be payable March 31, 1931, to stockholders of record at the close of business March 12, 1931.

C. S. DUNCAN, *Treasurer.*

Dividends and Interest

Public Service Corporation of New Jersey

Dividend No. 95 on Common Stock
Dividend No. 49 on 8% Cumulative Preferred Stock
Dividend No. 33 on 7% Cumulative Preferred Stock
Dividend No. 11 on $5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock, being $2.00 per share; at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being $1.75 per share; at the rate of $5.00 per annum on the non par value Cumulative Preferred Stock, being $1.25 per share, and 85 cents per share on the non par value Common Stock for the quarter ending March 31, 1931. All dividends are payable March 31, 1931, to stockholders of record at the close of business, March 2, 1931.

Dividends on 6% Cumulative Preferred Stock are payable on the last day of each month.

T. W. Van Middlesworth, Treasurer.

Public Service Electric and Gas Company

Dividend No. 27 on 7% Cumulative Preferred Stock
Dividend No. 25 on 6% Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and 6% Preferred Stock of that Company. Dividends are payable March 31, 1931 to stockholders of record at the close of business, March 2, 1931.

T. W. Van Middlesworth, Treasurer.

UNION CARBIDE AND CARBON CORPORATION

A cash dividend of sixty-five cents (65c) per share on the outstanding capital stock of this Corporation has been declared, payable April 1, 1931, to stockholders of record at the close of business March 4, 1931.

WILLIAM M. BEARD, *Treasurer*

THE ELECTRIC STORAGE BATTERY COMPANY
Allegheny Ave. and 19th St.

Philadelphia, February 20, 1931.

The Directors have declared from the Accumulated Surplus of the Company a quarterly dividend of One Dollar and Twenty-five Cents ($1.25) per share on the Common Stock and the Preferred Stock, payable April 1, 1931, to stockholders of record of both of these classes of stock at the close of business on March 9, 1931. Checks will be mailed.

WALTER G. HENDERSON, Treasurer.

Dividends and Interest

International Petroleum Company, Limited

Notice of Dividend No. 28

NOTICE is hereby given that a dividend of 25c. United States Currency per share has been declared, and that the same will be payable on or after the 16th day of March, 1931, in respect to the shares specified in any Bearer Share Warrants of the Company of the 1929 issue upon presentation and delivery of coupons No. 28 at the following banks:—

The Royal Bank of Canada,
King and Church Streets Branch,
Toronto 2, Canada.

City Bank Farmers Trust Company,
22 William St., New York, N. Y.

The National City Bank of New York,
36, Bishopsgate, London, E.C. 2, England.

OR

The Offices of the International Petroleum Company, Limited,
56 Church Street, Toronto 2, Canada.

The payment to Shareholders of record at the close of business on the 28th day of February, 1931, and whose shares are represented by registered Certificates of the 1929 issue will be made by cheque, mailed from the offices of the Company on the 14th day of March, 1931.

The transfer books will be closed from the 2nd day of March to 16th day of March, 1931, inclusive, and no Bearer Share Warrants will be "split" during that period.

By order of the Board,

J. R. CLARKE, Secretary.

56 Church Street, Toronto 2, Canada,
19th February, 1931.

TIP TOP

WARD BAKING CORPORATION

New York, February 26, 1931

A quarterly dividend of one and three-quarters percent (1¾%) on the Preferred Stock of this Corporation has been declared, payable on April 1, 1931, to stockholders of record at the close of business March 17, 1931.

JOHN M. BARBER, Treasurer

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 98

A QUARTERLY DIVIDEND of One Dollar and Fifty Cents ($1.50) per share on the Capital Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York, N. Y., on Wednesday, April 1, 1931, to stockholders of record at three o'clock P. M., on Tuesday, February 24, 1931. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., February 18, 1931.

E. I. DU PONT DE NEMOURS & CO.

Wilmington, Del., February 16, 1931.

The Board of Directors has this day declared a dividend of $1.00 per share on the outstanding $20.00 par value Common Stock of this Company, payable on March 14, 1931, to stockholders of record at the close of business on February 26, 1931; also dividend of $1.50 a share on the outstanding debenture stock of this Company, payable on April 25, 1931 to stockholders of record at the close of business on April 10, 1931.

CHARLES COPELAND, Secretary.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway, New York.

February 24, 1931.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 41 of one and three-quarters per cent (1¾%) on the Preferred Stock of the Company, payable April 1, 1931, to preferred stockholders of record at the close of business March 7, 1931.

H. F. ATHERTON, *Secretary.*

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